THE QUÉBEC MANUFACTURING AND TRADE SECTORS IN 1990

Québec

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Direction de l'analyse
de la conjoncture industrielle
Direction générale de
l'analyse économique
**Ministère de l'Industrie, du Commerce
et de la Technologie**

92-02638/

Gouvernement du Québec
Ministère de l'Industrie, du Commerce et de la Technologie

Publish by the Direction des communicatic ıs

Legal deposit - 4th quarter1990
Bibliothèque nationale du Québec
ISBN 2-550-21444-7
© Gouvernement du Québec
Printed in Québec

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ACKNOWLEDGMENTS

A number of Québec government departments dealing with economic matters contributed to the analysis of the regions and major manufacturing groups. We would like to thank the following for their collaboration:

- Ministère de l'Industrie, du Commerce et de la Technologie
  - Direction de l'analyse économique internationale
  - Direction générale des industries chimiques et des matériaux
  - Direction générale des biens d'équipement
  - Direction générale des biens de consommation
  - Direction générale des politiques industrielles
  - Direction des politiques technologiques
  - all of the Directions régionales
- Ministère de l'Énergie et des Ressources,
  - Direction du développement industriel,
  - Direction du pétrole
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation,
  - Direction du développement des entreprises

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HIGHLIGHTS

HIGHLIGHTS

THE 1990 ECONOMIC CONTEXT

THE FIRST HALF OF THE YEAR

- In the first six months of 1990, Québec enjoyed a relatively steady economic growth in some respects. Despite a negative impact from the slowing down of the Canadian economy, the seasonally adjusted Gross Domestic Product (GDP) grew by 0.8% in the first quarter, and by 0.9% in the second. This enabled Québec to achieve a slightly positive increase in the GDP even after conversion into constant dollars. In the second quarter, this increase coincided with an actual decline in the Canadian GDP.

- The unemployment rate dropped to 8.9% in July; with a single exception, a lower unemployment rate had not been seen ever since 1976. According to Statistics Canada, the number of unemployed decreased by 54,000 in Québec between January and July, while increasing by 49,000 in Ontario.

- A comparison between the first seven months of 1989 and 1990 reveals that the total number of jobs rose by 48,000 in one year (1.6%); the 7.6% advance in the service sector was the most active force on the Québec labour market during this period. Comparison over the same period indicates a total employment gain of only 0.6% in Ontario.

- At the same time, price increases have slowed down in Québec. From January to January, the provincial Consumer Price Index growth rate was 4.8% in 1990 (against 5.9% in Ontario); from July to July, it was down to 3.5%.

- According to mid-year Statistics Canada forecasts for 1990, investment remained a strong component of Québec overall demand, with an 8.6% increase in capital expenditures over 1989. By contrast, Statistics Canada forecasted a 0.4% decrease in Ontario. Heavy investment in the energy sector, and the continuation of major industrial projects, notably the construction of aluminum smelters, contributed to Québec's ability to meet its forecasted performance.

- Housing starts remained at a high level. A comparison of the second quarters of 1989 and 1990 shows a gain of 17%.

- The Bank of Canada, however, continued to exert pressure through its restrictive monetary policy. The rising exchange rate of the Canadian dollar, combined with a weak American economy and a price drop in raw materials, blocked the growth of exports loaded in Québec. At the same time, very high interest rates forced heavily indebted consumers to reduce their spending for goods and services.

- The decrease in sales and shipments which occurred in the first semester caused a heavy build-up of inventories, and left open the possibility of a decline in production during the second half of the year.

THE SECOND HALF OF THE YEAR

- Starting in August, the impact of the marked economic slowdown in Canada and the United States began to exert a significant influence on the Québec economy.

- The labour market was affected by the new environment prevailing outside Québec. The unemployment rate rose from 8.9% in July to 11.1% in October, while the number of unemployed grew by 78,000 (87,000 in Ontario) during these four months. Based on data from the first ten months of the year, the number of jobs created annually in Québec reached 38,000.

- Overall demand in Québec in the last six months of the year matched the Canadian situation in all its elements. Housing starts dropped sharply by 45% between June and August (seasonally adjusted data). Notwithstanding the good performance of non-residential construction, investments in 1990 may be weaker than indicated in the mid-year Statistics Canada forecasts.

- The major economic partners of Québec, both in Canada and in the United States, kept showing the telling signs typical of the early stages of an economic recession. That situation could hardly do otherwise than affect the demand for Québec products.

- Under the external shock brought about by the crisis in the Persian Gulf, the Québec Consumer Price Index rose to 4.6%, when measured from October 1989 to October 1990.

THE MANUFACTURING SECTOR

- The growth in production, which had been slowing down since 1988, finally registered a 4.1% decrease in 1990 (Conference Board of Canada estimates). This setback mainly involved durable goods, as is usually the case when cyclical reversals occur. Shipments dropped by 2.9% between 1989 and 1990 (data from the first nine months) and inventories swelled during the first half of the year.

- The drop in production was coupled with a 6.4% downward adjustment in manufacturing employment (data from the first ten months). A similar situation prevailed in Ontario, with a 5.4% setback; unlike Québec, though, Ontario had not benefitted from earlier quite remarkable employment gains in the manufacturing sector.

- The utilization of production capacity continued the downward trend apparent in 1989. The utilization rate was 79.7% in the second quarter of 1990, down from the 84.1% average of 1989 (Canadian data). The decrease affected all industries.

- According to Statistics Canada mid-year forecasts, the Québec manufacturing sector should by far outperform Canadian industries outside Québec when it comes to advances in capital expenditures, with a gain of 14.3% as compared to a modest 2.9%. The Québec/Ontario ratio could reach 81% for 1990, a level unequalled in at least thirty years.

- In 1990, manufacturing R & D expenditures are estimated at about $950 million. Three industries still account for more than 75% of all R & D investments: transportation equipment, chemical products and electrical and electronic products.

- The overall economic situation accounts for the drop in profits, which shrank by 25% between 1989 and 1990 (Canadian data).

- The high interest rate policy of the Bank of Canada is responsible for the 1990 rise in business bankruptcies in the manufacturing sector, which were up by 37% in Québec and by 74% in Ontario (data from the first ten months). Attendant liabilities fell by 11.4% in Québec and rose by 366% in Ontario.

THE TRADE SECTOR

- The 1989 trend in the Québec wholesale trade sector persisted in 1990, as sales fell 2.4% in one year (data from the first nine months). Inventories remained stable.
- Retail sales could not go above their 1989 level in nominal value, because of a 3.6% drop in the durable goods sub-sector. Motor vehicles, furniture and household appliances were particularly affected by the Canadian recession.
- Employment in wholesale businesses kept its pace, with a 5.6% increase in one year (data from the first ten months), whereas employment in the retail trade sector was stationary.
- Investments were still brisk in the Québec trade sector, according to Statistics Canada mid-year forecasts. Capital expenditures should grow by 8.3% in 1990.

SECTORIAL OUTLINE

- Apart from the exceptional case of petroleum products, where price increases played a major role, the only other industries with significant growth in shipments were food and machinery.
- The chemical products sector also ranked high among the industries which have expended greater than average efforts on investment, together with the manufacturers from the primary metal, electrical and electronic products, and non-metallic mineral products industries.
- Profits substantially decreased in the chemical products sector, however. Such was the case too in the primary metal, and pulp and paper industries, at least as measured on a Canadian scale.
- The pulp and paper industry is affected by a squeeze in demand, as well as by the increase in production capacity inherited from the recent investment boom. Pulp and paper manufacturers are now preparing for a major revision of their production methods along new environmental guidelines.
- Other sectors, such as the wood and furniture industries, are also faced simultaneously with short term pressures due to present economic conditions, and with structural readjustment, while lacking the financial clout enjoyed by large paper manufacturers.
- In 1990, exports declined in most industry groups. In spite of the strong value of the dollar, though, exporters of such products as aircraft with engines, metal products, meat, and office machines and equipment, met with excellent success.
- The electrical and electronic products industry is still noticeable by the strength of its expenditures both on physical capital and on R & D.

REGIONAL OVERVIEW

- In 1990, just as in 1989, the regions of Québec and Chaudière-Appalaches, Montérégie, Côte-Nord and Nord-du-Québec were on record as enjoying a growth rate in employment which stood above the Québec average. The Montérégie region claimed more than half of all new jobs created in Québec when 1990 and 1989 are compared.
- After receding in 1989, employment was on the rise in the Bas-Saint-Laurent, Saguenay—Lac-Saint-Jean and Outaouais regions, with gains of 5.6%, 4.8% and 3.5% respectively.
- The labour market was most buoyant in the Québec and Chaudière-Appalaches regions. The combined unemployment rate in the two regions stood at only 7.9% (data from the first ten months). The Estrie, Lanaudière, Outaouais and Montérégie regions also maintained unemployment rates lower than the Québec average, whereas in the Montréal region, rates tended to rise from August onward.
- According to Statistics Canada, the strongest increases in capital expenditures were recorded in the Gaspésie—Îles-de-la-Madeleine and Mauricie—Bois-Francs regions (27.7% and 25.6% respectively) . These were closely followed by Côte-Nord and Nord-du-Québec (19.9%), Bas-Saint-Laurent (18.2%) and Québec and Chaudière-Appalaches (16.3%) regions.
- In 1990, investments were down in the Saguenay—Lac-Saint-Jean, Lanaudière, Laurentides and Abitibi-Témiscamingue regions, mainly because of shrinking capital expenditures in the manufacturing sector.

THE GLOBAL ECONOMIC CONTEXT

THE GLOBAL ECONOMIC CONTEXT

THE WORLDWIDE ECONOMIC SITUATION

In 1990, the eighth consecutive year of uninterrupted growth for the world economy, the Gross Domestic Product (GDP) of OECD member countries increased by 2.9% in real terms, according to mid-year OECD data. This amounted to a moderate economic expansion, proving that the world economy was still slowing down, as it has done since the second quarter of 1989.

This overall assessment nonetheless leaves room for individual regional trends. Economic growth was still strong in Japan and Germany (4.7% and 3.9% respectively) and, to a lesser extent, in France and Italy (3.1%). On the other hand, the United Kingdom had a difficult year, with a 0.9% decrease in GDP growth.

The efforts expended by monetary organizations in trying to control the rise in prices did not yield spectacular results. The slowdown in economic growth was insufficient to curb the inflation rate, even before the upsurge in oil market prices resulting from international tensions in the Middle East. The upward trend visible in inflation rates since 1987 is not likely to subside in the near future.

Again according to mid-year OECD estimates, the average inflation rate in all OECD member countries, after a jump from 3.3% to 4.3% in 1989, should be up slightly in 1990, reaching 4.6%. The steadily high capacity utilization rate, fueled by relatively strong demand, would amply justify such a forecast. Mid-year analysis, however, could not take into consideration the impact of the unforeseen oil supply crisis which followed the surprise invasion of Kuwait by Iraq. A significant upward adjustment in inflation rates must now be anticipated.

The growth in production and employment has slowed down in 1990. The OECD mid-year forecasts indicate a limited, 1.2% increase in employment in member countries for 1990. Compared with the previous three years, during which the growth rate had never been lower than 1.8%, this should be seen as a significant drop. A weaker growth rate in the

labour force, however, has enabled the average unemployment rate to reach its lowest level in ten years, 6.4%. With the notable exception of Canada, and to some degree the United Kingdom, real wages in 1990 did not significantly exceed productivity gains in any of the large OECD countries.

The worldwide growth in the stock of capital remained strong in 1990 (4.3% in OECD countries). This gain, nevertheless, is weaker than it was to be in the seventies. The significant rise of long term interest rates, begun in September 1989, somewhat curbed investment projects. This rise in interest rates has been explained in many ways: the most often quoted factors are the opening of capital hungry Central and Eastern Europe, the uneasiness of investors faced with a very fluid international situation, and a drop in confidence in the future stability of prices.

Businesses met with growing difficulties in 1990 in their search for financing. The resolute attitude of monetary authorities did not allow for a reprieve in interest rates, while stock market prices suffered major drops worldwide. The strong decline in stock prices began at the outset of the year at the Tokyo Stock Exchange, where the Nikkei had already lost slightly more than one third of its value by the end of October. After a first semester on the rise, American stocks were brought tumbling down by international events in the Persian Gulf, with a downward slide which had reached 20% by October. Downturns were also the order of the day in Europe, with drops in stock prices over the first ten months of the year amounting to 20% in Germany, 18% in France, and 15% in Great Britain.

Ever since the peak reached in 1985 (4.6%), the financing needs of governments in the Big Seven OECD countries have tended to drop (when measured as a percentage of GNP). OECD forecasts evaluated the 1990 percentage at 2.1%. Slowing economic activity in several countries (the United States, Canada, the United Kingdom) could increase this proportion in the near future. This trend will be further strengthened by the costly impact of the German reunification.

The economic evolution of Japan will be fettered by the combined impact of a restrictive monetary policy, recent major stock exchange losses, and concerns with energy supplies. In Germany, growth is expected to proceed unabated and to generate rather brisk inflationist tendencies, given the social readjustments required by the new national arrangement. The United Kingdom has to deal with an 11% inflation rate and declining industrial production, hardly an auspicious omen for 1991. In France, strong consumer demand is supporting industrial production and helping to fight unemployment.

The easing of trade restrictions will remain a major objective on the international scene, all the more so since December 1990 is the deadline for the multilateral commercial negotiations known as the Uruguay Round. This Round is the most ambitious negotiation program ever undertaken since the GATT was founded in 1947. Included on the agenda are the question of farming subsidies, the preparation of a framework for dealing with services, and negotiations on integrating the textile and clothing trades into the final deal.

THE ECONOMIC SITUATION IN THE UNITED STATES

Economic uncertainty remained high in the United States throughout 1990. Month after month, analysts kept on pondering whether the powerful American economic machine had entered a recession phase or not. New questions were raised after Iraq invaded Kuwait. Experts pondered the likelihood of an impending major conflict and the exact scope of the economic and financial fallouts. The task facing economic analysts was made even more problematic by suddenly volatile international oil prices that psychological attitudes, beyond rational control, could cause to skyrocket or plummet. Forecasters, already made wary by all the political unknowns inherent in establishing the federal budget, remain exceedingly prudent in their evaluations.

During the year, arguments in support of a recession diagnosis attracted more and more momentum, to the point of reaching a quasi-unanimous consensus.

The evolution of demand is significant. The number of housing starts, in particular, collapsed in 1990. After eight consecutive months of downward movement, housing starts in September were a mere 70% of their January level; this is the first time in thirty years that this monthly series has experienced eight consecutive declines. Retail sales stagnated all year long, business investments shrank in the second quarter, and the federal government had to cut back spending in order to avoid having to literally suspend payment. Foreign markets, however, remain favorable, in view of the important drop in the American dollar on exchange markets.

Sagging inflation is yet another traditional sign that an economy is quickly slowing down. The increase in the Consumer Price Index dropped from 5.4% in February to 4.4% in July. The whole picture, however, was complicated by the political and military crisis in the Persian Gulf. A major external shock on supply is likely to send prices upward even in a recessionary economy, a phenomenon known as stagflation. In fact, consumer prices rose to 6.2% in September, from 4.4% in July. This immediate revival of inflation is all the more striking since, according

to analysts, the secondary impact of increased energy prices will only be felt at the end of the year (secondary impacts are due to price increases in energy intensive industries).

The recent rise in the unemployment rate corroborates the stagflation diagnosis. Between July and October, that rate moved up from 5.2% to 5.7%, and several analysts predict that it will hit 6% before the end of 1990. According to official statistics, the American economy lost 120,000 jobs between August and October.

The American GNP did increase in the third quarter, by a margin which amounts to an annual rate of 1.7%. After a lack-luster second quarter, this rather unexpected result brought temporary reprieve for those holding the increasingly hard to argue opinion that the situation of late is but a "soft landing". The significant decline of the composite index of leading indicators in August and September (the latest data available) leaves little room for such tenacious optimism, however. There seems to be no doubt left in public opinion. Consumer confidence indexes have never been so low since 1982, and, according to a survey made by the National Manufacturers' Association, a majority of industrialists believe that the recession in progress should be viewed as neither brief nor benign.

The major uncertainty looming over the United States economy in 1990 is undoubtedly the very high level of private and public debt. Since 1985, the ratio of personal savings to disposable income has never topped 5%; it even averaged as low as 3.2% in 1987. These figures make sense of the current frailness of savings institutions, or rather of the whole banking system, already shackled by regulations that prevent any national expansion. At the same time, the federal government has not moved close to a balanced budget in sixteen years. The 1990 deficit stands at about 4% of GNP, a rate close to the prevailing average since 1975. The economic downturn, coupled with the military costs of Middle East intervention, could rapidly inflate this figure.

In other words, the financially exhausted consumer is in no position to boost the economy. Despite the recession at its door, the federal government is forced to set up an emergency policy of restrictive fiscal measures with both tax increases and spending cutbacks. Under such conditions, even with a considerable drop in the international value of the American dollar, it is hard to see how foreign markets could exert enough leverage to revive business investments and bring expansion back any time soon.

As for monetary policy, the Federal Reserve System has little room to maneuver. On the one hand, even if a major oil shortage brought revived inflation, an increase in interest rates could trigger a wave of bankruptcies likely to rock the banking sector. On the other hand, a drop in rates intended to stimulate demand could signal a drain of much needed foreign capital, without which, financing the American economy would prove impossible. The latter scenario is far from being unrealistic, and is made even more probable by the tremendous financial needs arising in Eastern Europe. The reconstruction of the former German Democratic Republic by the German federation, and a constantly aging Japanese population should limit savings sources that, in recent years, have financed an American way of life increasingly dependent upon foreign credit. The recycling of the new petro-dollars by oil-producing countries may help in the near future, yet such investments are likely to stay on the short side of financial markets.

THE ECONOMIC SITUATION IN CANADA

After seven years of unprecedented growth, the Canadian economic cycle has finally experienced a downturn in 1990. Traditional growth factors have eased up while the capacity utilization rate of all industries declined from an average of 84.1% in 1989 to 79.7% in the second quarter of 1990.

In 1989, Canadian economic growth still showed strength. Gross Domestic Product (GDP) was up 3% in real terms during that year. In the last quarter, however, such growth was already faltering, with a progression as low as 2.2% (annualized quarterly growth rate). The Canadian economy kept the same slow pace in the first quarter of 1990, again with a 2.2% growth rate. In the second quarter, negative growth in GDP occurred, corresponding to a 1.6% annual drop. Data for the third quarter added the final piece of evidence proving that Canada was indeed in a recession.

This reversal of the cycle was no surprise to analysts. As early as 1989, each of the global demand components (consumption, investment, public spending, and foreign markets) was actually decreasing, or giving warning signs of an imminent decrease.

Indeed, as early as 1988, household purchasing intentions had registered a sharp drop. Such a reaction by consumers was predictable. Riding the wave of an unprecedented economic expansion, Canadian households had become increasingly optimistic about the future, and had allowed themselves to borrow freely. Concurrently, the Bank of Canada, taking a rather dim view of such developments, was planning to impose a particularly stringent restrictive monetary policy, regardless of the consequences on interest rates and currency exchange rates. Under these conditions, an outbreak of personal bankruptcies among debt-ridden households and a decline in consumer spending became unavoidable. In the first quarter of 1990, the growth

in consumer spending was a mere 0.5% (annualized quarterly growth) and reverted to a 1.6% drop in the second quarter. In September, housing starts were at 60% of the corresponding 1989 level.

Investment may have appeared vigorous in 1989, and indeed it was. Capital expenditures in full bloom, however, are typical of the late stage of a business cycle, when production capacity is fully employed and investment projects accumulate despite already flagging consumer demand. In 1990, the mid-year forecasts published by Statistics Canada still pointed to sustained investment. According to these forecasts, capital expenditures by private businesses were deemed to grow 7.3% in 1990 (progression in current dollars). Nevertheless, data on actual spending already available for 1990 show that machinery and equipment investments in the first half of the year registered a 2.9% drop compared to the 1989 average (seasonally adjusted progression in constant dollars with annualized rate).

Government-owned corporations remained a source of solid growth. Statistics Canada reveals that their capital expenditures doubled in current dollars, between 1987 and 1990; the growth rate of such capital expenditures should reach 22% in 1990. Whatever the importance of this timely contribution to the vitality of the Canadian economy, government deficits are too large for making public spending a likely catalyst of renewed economic expansion.

Foreign trade also contributed to the slowdown in economic activity. Business conditions in the United States, Canada's main trade partner, are far from flourishing. Moreover, the Canadian dollar reached new summits against the American currency in the summer of 1990. This continued to encourage imports and to hinder exports. The current account still shows a large negative balance.

The many forces at work to slow down economic activity in Canada could hardly fail to hit the industrial sector. In fact, month after month, 1990 manufacturers' shipments stood lower than the corresponding levels in 1989. Likewise, a comparison of the first seven months of 1990 and 1989 would show that the value of orders in current dollars has receded by 8%. Not surprisingly, the capacity utilization rate decreased for the ninth consecutive quarter in the spring of 1990. This trend is not expected to reverse itself soon, since Statistics Canada's advanced economic indicator entered its eigth consecutive monthly decline in September.

Deteriorating business conditions also translated into rising unemployment, with rates pushing from 7.7% in December 1989 to 8.8% in October 1990. On that count, the Canadian economy was back to the situation prevailing in 1987. The average number of jobs did not change between the first and third quarters of 1990.

The economic downturn helped to slow inflation. At the end of a steady decline, the growth rate of semi-finished industrial product prices sank from over 7% in the summer of 1988 to a stable negative value in the first half of 1990 (-2.0%). The consumer price index followed suit. The drop was no less significant, since growth in that index shifted from 5.5% in January and February 1990 to only 4.2% in August (the rise in energy prices moved it back to 4.8% in October, however).

The impending introduction of the federal goods and services tax (GST) will undoubtedly create temporary turbulence for price indexes, as will the oil crisis. Setting this important reservation aside, the favorable evolution of prices should in turn allow a reprieve in the Canadian monetary policy. Such a reprieve appears to be a necessary ingredient of any attempt to revitalize economic activity. After a peak in July, interest rates eased off somewhat in the second half of the year. They are likely to continue to do so, if such a move does not generate a wave of speculation against the Canadian dollar.

Exchange markets in the months to come could be kind to a country known for its oil production; this new aspect of the question is likely, to a certain extent, to offer the Bank of Canada additional room to maneuver. Canada will also benefit from the positive aspects associated with the growing internationalization of trade.

THE MANUFACTURING SECTOR

THE MANUFACTURING SECTOR

Growth in manufacturing production has declined in Québec since 1988. In 1990, it finally entered the range of actual decrease, with a 4.1% drop (according to estimates by the Conference Board of Canada). Such a decrease, which took place throughout Canada, was mostly felt in the durable goods sector, a typical situation at the end of a business cycle.

In Québec as in Ontario, the production slowdown was coupled with a downward adjustment in manufacturing employment. Unlike Ontario, however, Québec manufacturing investments were clearly growing in 1990, according to mid-year forecasts published by Statistics Canada. The high interest rate policy of the Bank of Canada and the overall economic situation in North America account for lower profits and an increased number of bankruptcies.

INDUSTRIAL PRICES

There has been a steady monthly decrease in the industrial price index since 1988. In the first nine months of 1990, published data show a 0.3% decline when compared with the same period in 1989. The index seems to have reached a low point, however. The coming months could well result in an acceleration of industrial price increases as a consequence of international events in the Persian Gulf.

As in 1989, the paper, chemical products, plastic products and primary metals industries registered absolute price decreases. The drop in the price index, however, might be curbed in the primary metals industry: starting in the second half of the year, aluminum, copper and nickel prices tended to recover. Events in the Persian Gulf could also bring about a substantial recovery of petroleum prices, a point to remember when assessing price trends in the plastic and chemical products industries.

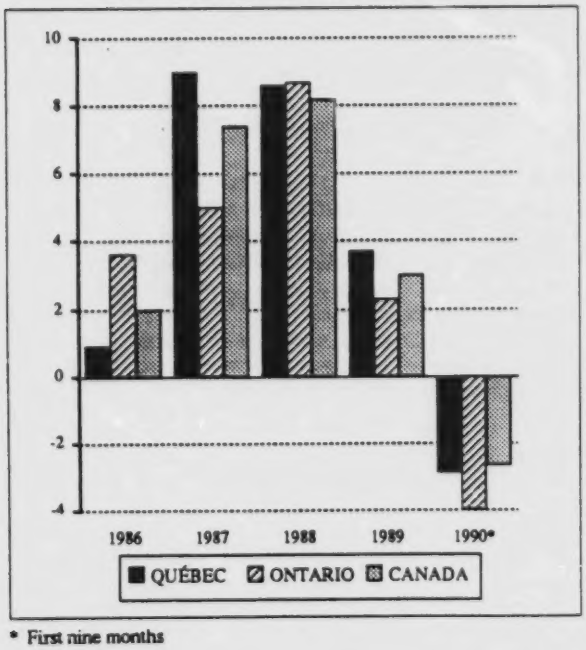
PRODUCTION

Manufacturers' shipments in Québec registered a decline of slightly less than 3.0% in 1990. Since 1988, industrial output has progressively lost its vitality, specially in the durable goods sector. The growth of inventories gained momentum in 1990, a sign that the production rate will likely keep falling. The exports sector is also dependent on the difficult economic situation in North America. Indeed, Québec exports were at a standstill in 1990.

SHIPMENTS

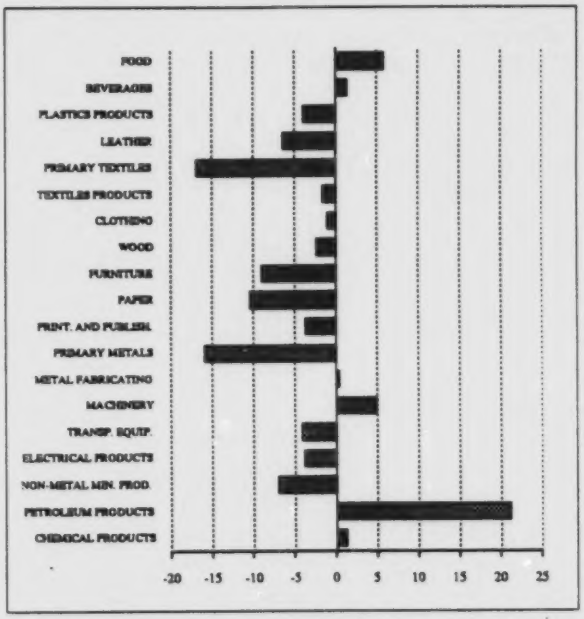
Since 1988, growth in production has gradually slowed down, eventually turning into a decline in 1990. Compared with the same period in 1989, Québec manufacturers' shipments registered a 2.9% decrease in the first three quarters of 1990 (2.6% in constant dollars). In 1989, those shipments were still growing by 3.7%. The manufacturing sector has thus been unable to isolate itself from the general economic situation. Signs of a decline in the sector were even visible as early as the first quarter. There is nothing surprising in such a fact: manufacturing production is known to exhibit a more pronounced cyclical pattern than the economy as a whole.

MANUFACTURERS' SHIPMENTS
QUÉBEC, ONTARIO, CANADA
ANNUAL PERCENTAGE CHANGES



* First nine months

MANUFACTURERS' SHIPMENTS*
QUÉBEC
PERCENTAGE CHANGES
1990/1989**



* Excluding tobacco, rubber products and miscellaneous manufacturing, for which data are confidential

** First nine months

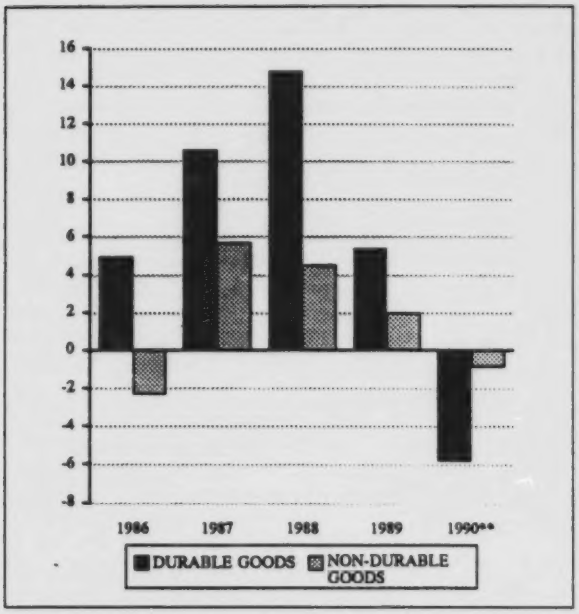
The decline in shipment has been more pronounced in durable goods than in non-durable ones (5.8% and 0.9% respectively). This situation is characteristic of an aging economic cycle about to experience a downturn; it also occurred in Ontario. This tightening up of expenses in durable goods and capital goods had a dampening effect on output, mostly in the primary metals, furniture and non-metallic mineral products industries. Yet, a number of non-durable goods producers also experienced noticeable declines, for instance in the primary textiles and paper industries. The only products with a fairly good performance to their credit in this area are food and beverages, machinery, and petroleum products.

The overall trend for 1990 will not be modified in the last months of the year. Total Québec shipments should not exceed $73 billion.

INVENTORIES

Inventories kept accumulating in 1990. Finished product inventories in the Canadian manufacturing sector were up

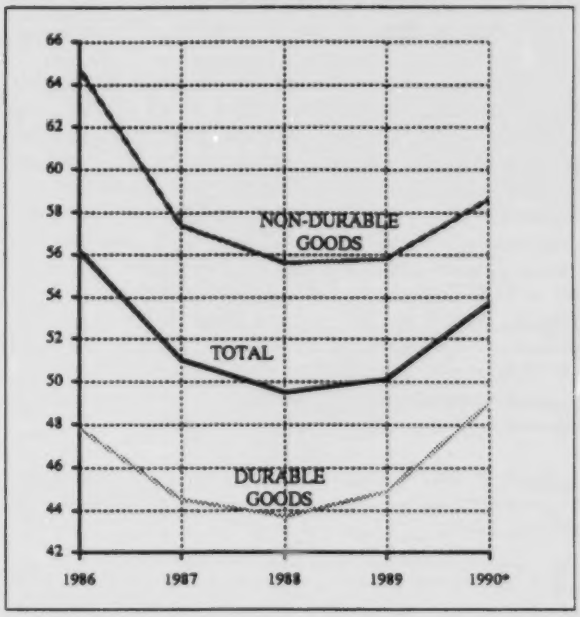
MANUFACTURERS' SHIPMENTS*
DURABLE AND NON-DURABLE GOODS
QUÉBEC ANNUAL PERCENTAGE CHANGES



* Excluding tobacco, rubber products and miscellaneous manufacturing, for which data are confidential

** First nine months

INVENTORIES OF FINISHED
PRODUCTS/SHIPMENTS
DURABLE AND NON-DURABLE GOODS
CANADA (PERCENTAGE)



* First nine months

4.0% over the first nine months of 1990 and 1989. The overall growth in 1989 had been 4.3%. Given slower rises in industrial prices, however, real growth in inventories (as expressed in constant dollars) climbed 4.3% in 1990, compared with only 2.2% in 1989.

Already in 1989, growing inventories pointed to a disequilibrium between production and demand. A persistently soft demand accentuated this disequilibrium in 1990, thus compelling manufacturers to maintain unwanted inventories. The inventory-to-shipments ratio, constantly falling since 1983 (with a slight exception in 1989), rose quite significantly in 1990. This suggests that manufacturers have not yet fully tailored production to lagging demand. This is a troublesome situation, since this could mean renewed production slowdowns, at a time when overall business conditions would hardly be encouraging.

The climb in the inventory-to-shipments ratio affects all industries. However, changes were much more pronounced in durable goods industries, where shipments dropped sharply and inventories went up by 4.8%. On the other hand, inventories of non-durable goods climbed by 3.2% only, and shipments suffered moderate decreases at the most.

These general tendencies leave room for a variety of individual changes in a number of industries. The inventory-to-shipments ratio, for instance, rose markedly in the leather, primary textiles, wood, furniture, paper, primary metals and non-metallic mineral products industries. On the contrary, the ratio dropped in the beverages, plastic products, machinery and chemical product industries.

EXPORTS

For the first half of 1990, international exports loaded in Québec totalled $12 billion, a slight decrease 0.8% over the same period in 1989. These results reflect a weakening in the contribution of the external sector to overall demand for Québec products.

Between 1988 and 1989, growth in exports had already fallen from 11.7% to 3.2%. Several factors explain this slowdown: weak American demand, the situation in the

automobile industry, and above all, the strong appreciation of the Canadian dollar in relation to the U.S. dollar (6 cents in 1988, 3 cents in 1989 and 2 cents in 1990). These factors, however, had more impact on Québec exports than they did in Canada as a whole, where international exports rose 6.4% in the first semester of 1990.

The difference between Québec and Canada in this respect can be traced to the trade relations which Québec and Canada maintain with their principal commercial partner, the United States: Canada's exports to the U.S. went up 7.6%, whereas Québec's exports climbed a mere 1.6%. A few industries are responsible for this situation. The newsprint sectors in Québec and Canada have gone in completely opposite directions, with a 3.5% decrease in Québec and a 3.2% increase in Canada. Aluminum exports have dropped sharply in Québec, as in Canada as a whole, but their relative weight is much higher in Québec. Automobile and chassis exports have been plagued by weak demand for models made in Boisbriand, a situation which forced the plant to cancel a shift in the summer.

A survey of the ten leading export products (in descending order of importance) indicates that almost all of them were affected by sluggish external demand.

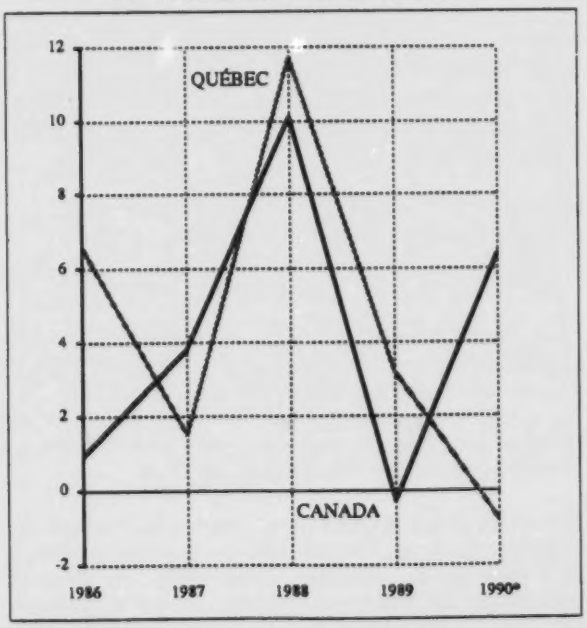
The three leading products, which together make up close to one third of all Québec exports, registered drops in exports of 30% on the average. The 6.5% decline in newsprint exports can be explained by an excess production capacity in North America and by the global slowdown in the economy which affects demand for paper. Exports of aluminum and alloys have plunged 28.8% as a result of a soft automobile market and of declining prices on the international market (the average market price in London, England, suffered a setback of close to 30% when the first halves of 1990 and 1989 are compared). Automobile and chassis exports dropped by 61.6%; this latter figure, however, should be interpreted with care, since Québec exports may have been attributed to Ontario head offices, thereby adding to the decline in percentage as published by Statistics Canada.

Results for the two following categories (in descending order of importance) are much more positive. Shipments of aircraft engines and parts to foreign markets have increased 5.9% (data from the first six months of 1989 and 1990). However, in the case of other equipment and telecommunication equipment exports, caution is advised because of uncommon variations in the data. In the past, major variations have frequently turned out to be no more than statistical accidents.

Exports of products ranking sixth to tenth also reflect weak external demand. Wood pulp exports recorded a 14.5% decline in the first semester, in line with the lagging paper industry. Exports of copper and its alloys also dropped, by 12.6%; it should be noted, however, that in the first half of 1990, world-wide prices for these products were, on the average, 15% below the 1989 first half level. After experiencing a slight growth in 1989, lumber exports fell considerably in 1990 (21.2%), as a result of a weak North American housing market. Exporters of entire aircraft with engines steadily showed excellent results throughout the first half of 1990, with a 38.5% surge in export values (these statistics may occasionally fluctuate according to delivery time). Finally, following a 5.9% decrease in 1989, office machines and equipment exports made a comeback with a 4.7% rate of growth.

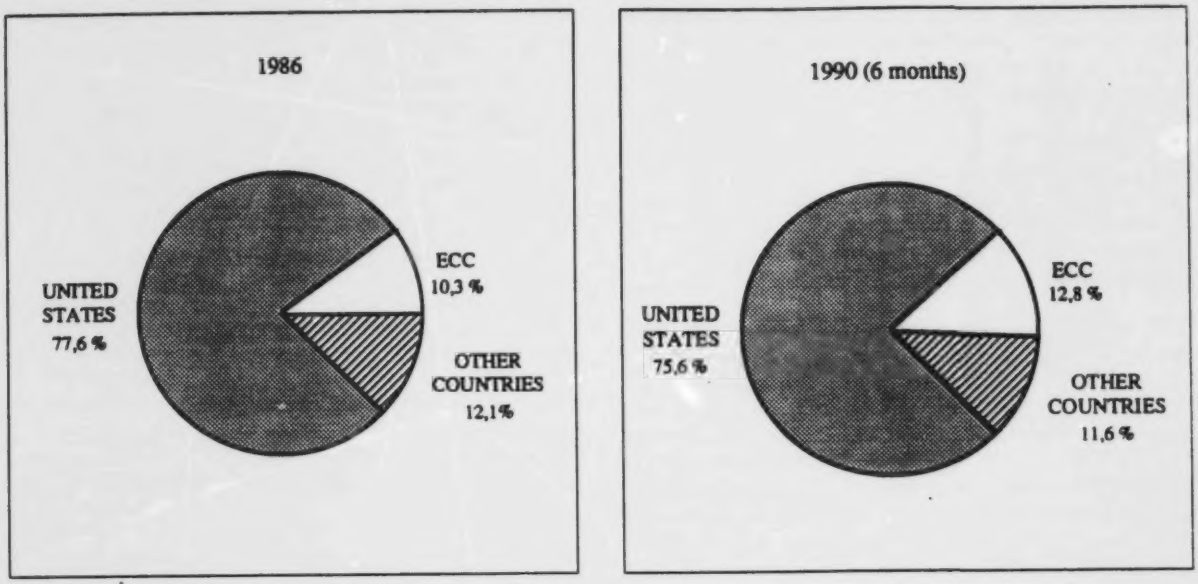
Exports loaded in Québec and destined for the United States totalled $9 billion in the first half of 1990, a slight 1.6% increase over the same period in 1989. If this trend prevails, it could mean a second year of sluggish growth in a row, since statistics showed a 0.3% decline for these exports in 1989. Viewed against a strengthening Canadian dollar, such growth, modest as it may be, indicate a quite satisfactory consolidation of past sales and favourably compares with major setbacks hitting exports to other destinations. As a consequence, the relative share of Québec exports to the United States has risen perceptibly, from 72.8% to 75.6%.

INTERNATIONAL EXPORTS
QUÉBEC AND CANADA
ANNUAL PERCENTAGE CHANGES



* Six months

DESTINATIONS OF INTERNATIONAL EXPORTS LOADED IN QUÉBEC
UNITED STATES, EEC, OTHER COUNTRIES
PERCENTAGE DISTRIBUTION



The EEC is Québec's second most important export customer. After two years of remarkable increases, shipments to this destination fell by 8.4% in the first six months of 1990, bringing down the EEC share of Québec exports from 14.2% in 1989 to 12.8%.

Within the Community, only exports to West Germany and Spain showed sizable growth. Massive reductions in purchases were registered in the case of the United Kingdom (18.2%), Holland (13.3%) and France (10.9%). On the British market, copper and newsprint sales dropped considerably. In the case of France, the reduction was most felt in aluminum and aircraft engines. In Holland, office machines and aluminum played a major role in the downturn. In several cases, the slowdown of European demand is attributable to depressed prices for certain metals, and to the overall economic situation. These changes can also be explained by the growing strength of the Canadian dollar in relation to European currencies.

Québec exports to Japan also dropped considerably (16.5%), bringing down Japan's relative share of Québec exports to its 1986 level, with a slide from 2.0% to 1.5%. The main reason for this phenomenon is the stability of the Canadian dollar in relation to the yen.

Exports will hardly recover by the end of the year. The ongoing North American economic slowdown and the strength of the Canadian dollar will continue to dampen purchases of Québec products. However, increasing prices for some metals will contribute to the rising value of international exchange; it should also be added that, after September 1989, the progressive depreciation of the Canadian dollar in relation to major European currencies could benefit exports to EEC destinations. Such positive factors will not be sufficient, however, to immediately outweigh the downward trend in Québec's international exports which prevailed in the first half of 1990. It is therefore likely that the entire year will go on record as one of near zero growth for Québec exports.

UTILIZATION OF HUMAN RESOURCES

From the fall of 1987 to early 1989, employment was definitely on the rise in the Québec manufacturing sector. Then it slowed somewhat in 1989, leading into a noticeable decline in 1990. At the same time, wage increases were slowing down.

EMPLOYMENT

The data on the Québec labour market have recorded a quite eventful year in 1990.

Most analysts have ignored as statistical accidents the high levels of unemployment recorded by Statistics Canada for January and February (10.5% and 10.2% respectively, seasonally adjusted). Their judgment was confirmed in the following months, since as early as March, the unemployment rate had dropped back to its November 1989 level (9.2%). It even fell as low as 8.9% in July; since 1976, only twice had lower rates been recorded (in 1979).

The number of unemployed has moved in line with this buoyant trend. In July, it was down to 303,000. Since 1981, only on very rare occasions had smaller numbers been recorded. For the first time since 1986, the number of unemployed in Ontario was higher than in Québec, and significantly so (a difference of 41,000).

This very favourable picture has changed markedly since August. Between July and October, the unemployment rate climbed from 8.9% to 11.1%. There had not been such a strong increase over three months in Québec in at least twenty-five years. Concurrently, the number of unemployed was 78,000 higher. There again, Québec had never recorded a more rapid rise in three months, the most significant progression having been a 64,000 increase between April and July 1982. These changes illustrate the impact of the marked Canadian economic slowdown on Québec's economy.

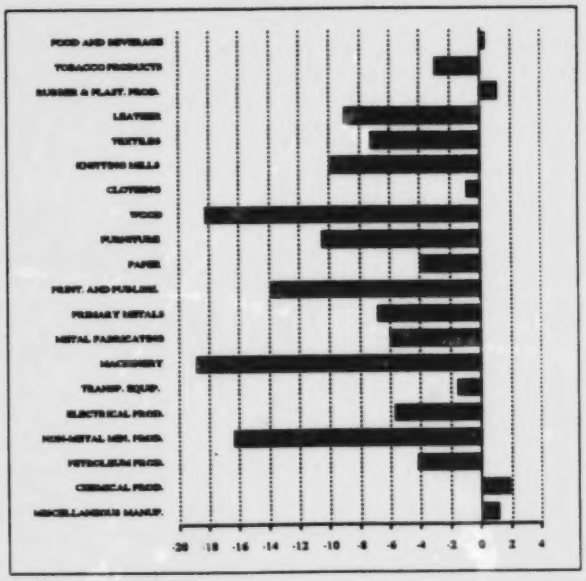
Job creation was fairly strong in 1990, with 38,000 more jobs, a 1.3% increase (data from the first ten months of 1990 and 1989). This is a better performance than the 31,000 jobs created in 1989. Québec employment gains clearly exceeded those of Ontario, which posted only 6,600 new jobs in 1990, a 0.1% rise (data from the first ten months of 1990 and 1989).

The breakdown of new jobs in Québec differed from the previous year. In 1990, services accounted for most of the growth in employment, with 61,600 new jobs created. By contrast, the manufacturing sector, after recording strong increases in 1988 and 1989, experienced a slowdown, with the number of jobs dropping by 40,500 units. A similar situation prevailed in Ontario, where the manufacturing sector lost 55,500 jobs.

In the context of the 1990 overall trend in Québec employment, one should note the lack of symmetry between men's full-time employment, which fell slightly (by 0.6%) and other types of employment, which recorded a 3.4% increase. This situation is attributable in part to the loss of manufacturing jobs, often full-time jobs held by men. As a result of these changes, the Québec unemployment rate became identical for men and women.

A Statistics Canada wage survey provides a breakdown of the increases in the number of manufacturing jobs by industries, although the data should be used with caution,

WAGE EARNERS IN THE MANUFACTURING SECTOR
QUÉBEC
PERCENTAGE CHANGES
1990/1989*



* First eight months

due to limited sample sizes. The durable goods industries, which have always followed a cyclic pattern, recorded a 9.3% decline in employment, whereas employment in the non-durable goods industries dropped by only 3.2% (data from the first eight months). These changes have reversed the trend which was characteristic of the expansion years: from 1984 to 1989, employment had risen by 18% in the durable goods industries and by only 4.5% in the non-durable goods industries.

WAGES

Wages in the Québec manufacturing sector experienced a change in trend in 1990. Since 1986, the growth rate of the average hourly wages of employees paid by the hour had been rising, from 2.4% in 1986 to 3.7% in 1987, and from 5.2% in 1988 to 6.3% in 1989. Data from the first eight months of 1990 reveal an annual growth of only 5.5%.

The slowdown in the growth of wages originated in the non-durable goods sector, where growth percentages kept falling (from 5.9% in 1988 to 5.5% in 1989 and 4.5% in 1990). By contrast, wages have been increasing very slightly in the durable goods sector (7.3%).

As a result of the appreciation of the Canadian dollar, engineered by the Bank of Canada policy, average hourly wages in Québec were 5% higher than corresponding American hourly wages in the durable goods sector, and 7% higher in the non-durable goods sector. However, Québec wages were below those in Ontario, by slightly more than 10%.

Weekly wages in the manufacturing sector increased at an annual rate of 5.9% in 1990 (data from the first eight months). The gap between industries with high wages and those with low wages has widened. Among the nine industries which belong to the highest ranking group in terms of weekly wages, seven recorded increases of over 7%. These are: chemical products (9.2%), electrical and electronic products (7.5%), printing and publishing (7.5%), primary metals (7.4%), machinery (7.4%), metal products (7.2%) and non-metallic mineral products (7.2%). By contrast, among industries where weekly wages were significantly lower than the Québec average, only the clothing industry recorded significant increases (6.3%); despite advances of roughly 13% over a two-year period, however, the average wages of this sector still rank last among Québec industries.

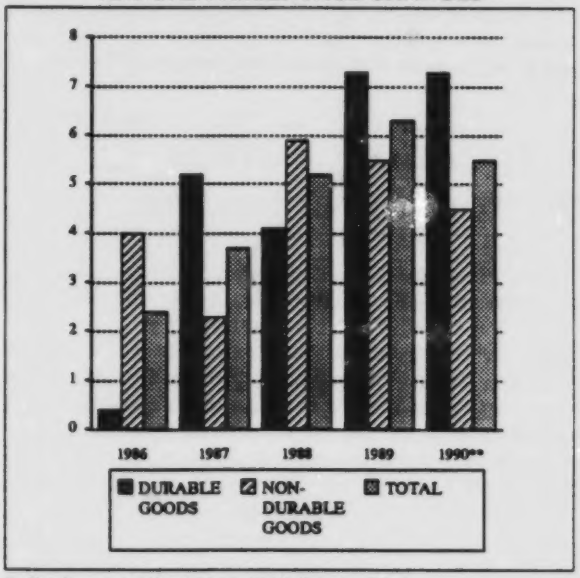
LABOUR RELATIONS

According to Ministère du Travail statistics, the number of person-days lost in work stoppages in the Québec manufacturing sector declined fairly steadily from 1984 to 1989. Over a two-year period (1988 and 1989), this number was reduced by more than half. Economic expansion in the Québec manufacturing sector has meant that employers and unions are more inclined to share prosperity through wage increases than to engage in systematic confrontation during collective bargaining.

The number of lost person-days stabilized in 1990 (data from the first nine months), with a slight 6.8% increase over the very low 1989 level. This is a direct reflection of collective agreement renewals in two key industries in the Québec manufacturing sector: the pulp and paper industry, and the primary metals industry.

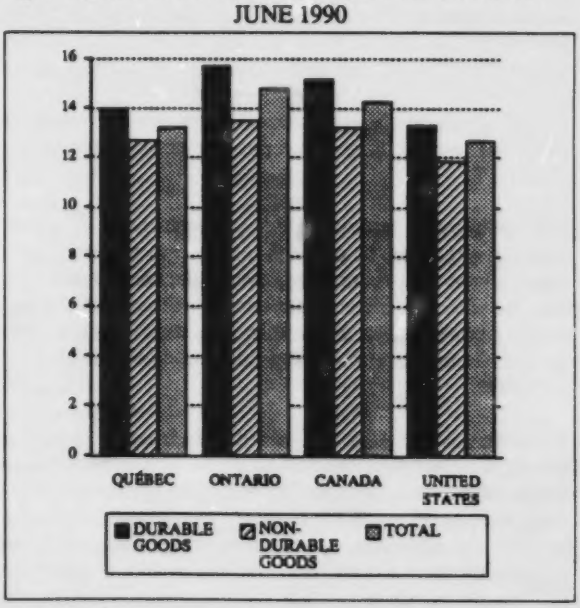
In 1989, more than 97,000 workers in the Québec manufacturing sector renewed their collective agreements, of which more than 87,500 renewed their contracts without labour disputes or are still negotiating. Of 655 collective agreements up for renewal before September 1990, 91% have not, to date, involved work stoppages. There are still 280 collective agreements (which apply to 21,853 workers) to be renewed before the end of the year. The average number of days lost per persons involved in strikes or lock-outs remains the same as in 1988 and 1989 (between 28 and 29 days). However, the 1990 trend points to lengthier strikes in the durable goods industries and to shorter ones in the non-durable goods industry.

AVERAGE HOURLY EARNINGS
IN MANUFACTURING*
QUÉBEC
ANNUAL PERCENTAGE CHANGES



* Employees paid by the hour (including overtime)
** First eight months

AVERAGE HOURLY EARNINGS
IN MANUFACTURING*
QUÉBEC, ONTARIO, CANADA, UNITED STATES**
JUNE 1990



* Employees paid by the hour (including overtime)
** Conversion rate: C$1.1728=US$1.00 (June 1990 average)

In 1991, at least 910 collective agreements will expire; 90,671 workers will be engaged in collective bargaining, 6.2% less than in 1990. Industries in which a significant number of collective agreements will expire or a large percentage of employees will be negotiating new contracts include food and beverages (147), wood (80), fabricated metal (78) and non-metallic mineral products (75).

UTILIZATION OF OTHER FACTORS OF PRODUCTION

As a result of the difficult economic situation in Canada, there was an overall decline of the capacity utilization rate. According to Statistics Canada mid-year investment estimates, capital expenditures in the manufacturing sector were still very strong, with a 14.3% increase; however, some correction in these estimates would not be unlikely. R & D expenditures in the Québec manufacturing sector continued to grow in 1990, but without repeating the exceptional 1987 performance (21%); there was no marked impact of the economic reversal on this trend.

CAPACITY UTILIZATION RATES

The capacity utilization rate in Canadian manufacturing industries reached 79.7% in the second quarter of 1990, a marked decrease compared with the average 1989 level (84.1%). The utilization rate has now undergone nine consecutive quarterly decreases, losing nearly eight percentage points, the lowest level yet reached by this indicator since early 1984. The durable goods and non-durable goods industries posted similar decreases. Capacity utilization in durable goods industries dropped below the 80% mark in 1990, settling at 78.1%. The rate for non-durable goods was 81.5%.

The downturn in capacity utilization occurred in all industries. All rates were below 90%, in contrast with preceding years, where five, six or even seven industries went higher than the 90% mark. The greater drops were recorded in the plastic and rubber products, furniture, machinery, electrical and electronic products and the printing and publishing industries.

A comparative analysis of Québec and Canadian industrial structures reveals that the downward trend in capacity utilization rates also applies to Québec, although it was somewhat attenuated, particularly in the durable goods sector. In 1989, reduced capacity utilization had already mitigated inflationary pressures on industrial prices and, more generally, on all price indexes. The 1990 evolution remained in line with this trend. Capacity utilization, however, is but one factor which affects consumer prices.

INVESTMENT

According to data published by Statistics Canada in July, intended investments by Québec businesses and institutions stayed high in 1990, despite a decline in operating income and high interest rates. Overall investment expenditures in Québec should reach $40 billion in 1990, a 7.9% increase over 1989; this increase surpasses Canada's performance (6.0%) and even more so that of Ontario (0.6%).

The manufacturing sector is strong in this respect, with investment rising for the seventh consecutive year. The Québec rate of growth of capital expenditures forecasted for 1990 largely exceeds the one prevailing in Canada outside Québec (14.3% against 2.9%). By comparison, Ontario industry recorded a 3.1% setback in capital expenditures. The Québec/Ontario capital expenditures ratio in the manufacturing sector thus stands at 81.1% for 1990, a level which has never been surpassed in at least 30 years.

The mid-year survey on investment projects resulted in a lowering of the initial February forecasts (specifically, the growth rate of investment expenditures in the manufacturing sector was expected to be 23% for Québec). The actual data could even prove lower than the above estimate. In fact, Québec economic accounts reveal a mere 0.8% increase between the first halves of 1989 and 1990, in the case of expenditures related to machines and equipment for businesses in general, a major item in overall capital expenditures.

According to Statistics Canada estimates for 1990, the growth of capital expenditures in the Québec manufacturing sector is based on three major industries: primary metal products, non-metallic mineral products and chemical products. These account for nearly 45% of all forecasted Québec capital expenditures in the manufacturing sector.

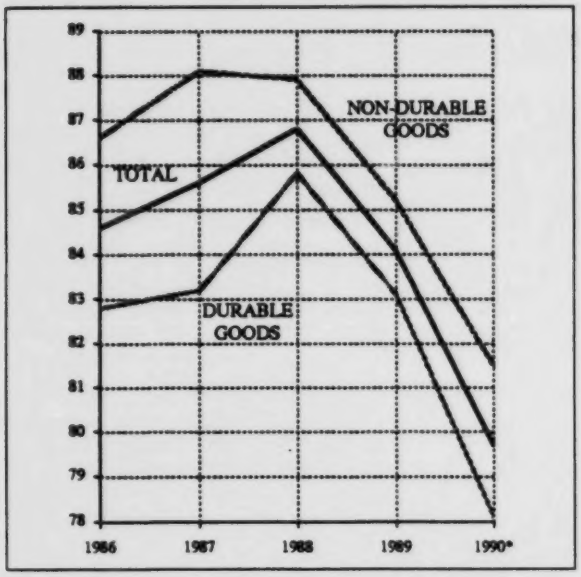
RESEARCH AND DEVELOPMENT

The R & D statistics for 1989 and 1990 are not yet available. The latest published figures reveal that Québec manufacturers only slightly increased (4.6%) their in-house R & D spending in 1988, a slowdown compared with the spectacular 21% climb recorded in 1987. From 1985 to 1988, the average annual growth rate was 8%, compared with 18% in the service sector for the same period.

The first available estimates indicate a 6% increase for 1989 and 1990, a result similar to the Canadian average. R & D investments by all Québec manufacturers are estimated to be approximately $940 million in 1990.

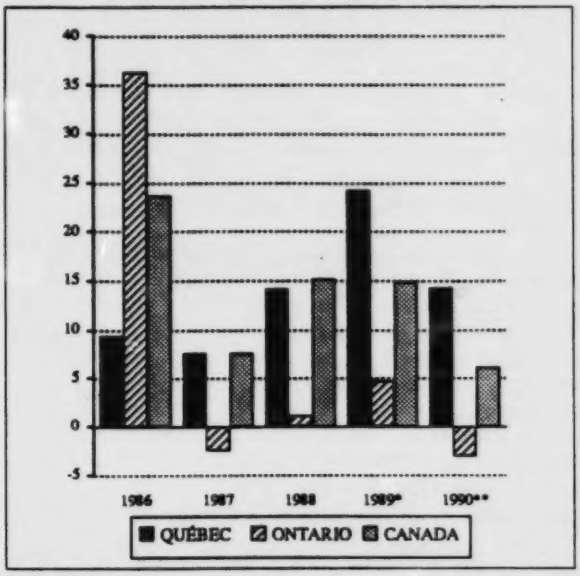
The growth of overall R & D spending in Québec since 1981 has been slightly below Canada's. After declin-

CAPACITY UTILIZATION RATES
MANUFACTURING SECTOR
DURABLE AND NON-DURABLE GOODS
CANADA (PERCENTAGE)



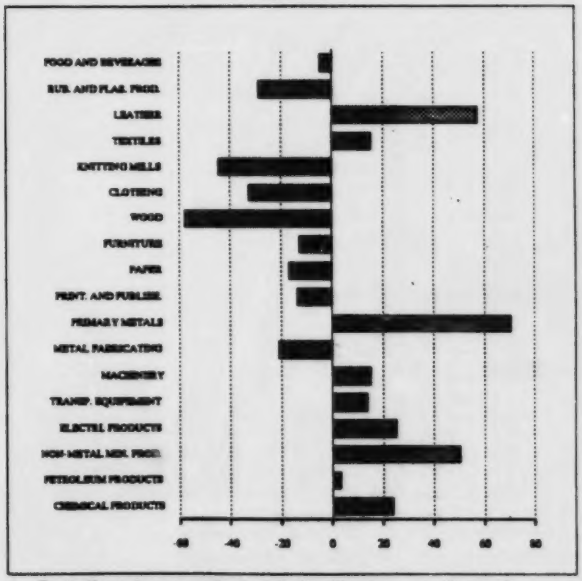
* First two quarters

CAPITAL EXPENDITURES IN MANUFACTURING
QUÉBEC, ONTARIO, CANADA
ANNUAL PERCENTAGE CHANGES



* Preliminary
** Estimates revised at mid-year

CAPITAL EXPENDITURES IN MANUFACTURING*
QUÉBEC
PERCENTAGE CHANGES
1990/1989**



* Excluding tobacco products and miscellaneous manufactured products, for which data are confidential
** 1989 Preliminary, 1990 Estimates revised at mid-year

ing in 1985 and 1986, the Québec share of Canadian technological investments again exceeded the 24% mark and reached 26% in 1988. In 1989 and 1990, a Québec growth rate similar to Canada's could help maintain this share.

The three key industrial sectors in R & D manufacturing investments remain transportation equipment, electrical and electronic products, and chemical products. These three industry groups account for more than 75% of all R & D investments in manufacturing in Québec and Canada, and their importance is growing.

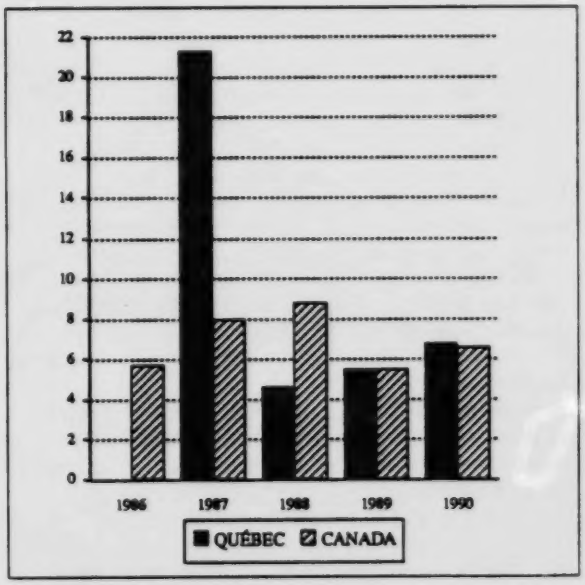
The transportation equipment industry, spearheaded by aeronautics, remains without doubt the most important technological sector in Québec (38% of all R & D manufacturing investments); it ranks second in Canada. Pratt & Whitney, the largest private research centre in Québec, and Canadair, are the main architects of Québec's performance. Within this industry group, the Québec share of technological investments accounted for 51% of the Canadian total in 1988. An analysis of the growth of Québec investments in previous years suggest that the percentage should remain at this high level. In the years ahead, R & D investments could receive an important boost from the adapta-

tion of the high-speed train technology to the North American environment.

The electrical and electronic products industry is the second most important R & D sector in Québec, and the first in Canada. The extent of this industry's involvement in R & D is steadily on the rise; its share of overall R & D investments in the Québec manufacturing sector rose from 23% in 1983 to 27% in 1988. Québec's technological importance also increased steadily in those five years: from 13% in 1983, it reached 17% in 1988. Québec's share should stabilize at this level in 1989 and 1990.

In the chemical products sector, pharmaceutical firms accounted for 6% of overall R & D investments in the Québec manufacturing sector. This is a promising industry. With the adoption of Bill 22 providing better patent protection for pharmaceutical firms, numerous projects were launched, including those of Merck Frosst, Bristol Myers Squibb, and Nordic Laboratories. Québec was thus able to secure a sizable share of the investments of pharmaceutical companies which have promised to spend a total of $1.4 billion in R & D in Canada before 1996. Estimates of R & D investments in Canada indicate a growth rate of 44% in 1989 and of 11% in 1990. This favourable situation should stimulate the growth of the industry's relative share of R & D investments in Québec.

R & D EXPENDITURES IN MANUFACTURING
QUÉBEC* AND CANADA
PERCENTAGE CHANGES



* Québec data for 1989 and 1990 are estimates

Several factors influence the development of the technological activities engaged in by Québec firms, particularly the market outlook, the availability of capital and specialized labour and government intervention. The government's effort to renew technological development support policies is largely completed. The stability of the objectives that were set forth will benefit firms wishing to invest in R & D and innovative technology. Taxation is still the cornerstone of Québec's policy in this respect.

The Fonds de développement technologique (FDT), created in 1989, is destined to play an important role in supporting strategic development policies. With an initial five-year support budget of $300 million, the FDT is designed to support the structuring of major projects, since at least two firms must be associated with a university or similar organization in order to apply for FDT aid. In its last budget, the Québec Government allocated $50 million in supplementary credits to the FDT for R & D projects in the environmental field.

Since its inception, the FDT has invested $17.4 million in direct grants for key projects; $9 million more was allocated to R & D in income tax credits. The total value of the projects authorized to date is $80 million. Approximately twenty projects are now under study. In addition, the FDT invested $13.6 million in projects that met the government's priorities, such as the RADARSAT program and the Institut de la technologie du magnésium.

Current moves toward freer trade will strongly stimulate technological development in Québec and in Canada in the years ahead. The Free Trade Agreement between Canada and the United States, the multilateral GATT negotiations and the presence of a unified European market in 1992 will no doubt yield major benefits in this area. So will several major projects involving international technological cooperation, such as the RADARSAT and EUREKA programs and the space station program.

COMPETITIVENESS

The growth in unit costs, already strong in Québec and Canada in recent years, once again accelerated in the first semester of 1990. Manufacturing production in person-hours, however, caught up to growth, as is usually the case in periods of declining employment. Recent studies showed, moreover, that Québec surpasses the rest of Canada in terms of productivity, while still sharing the overall poor performance of Canada's competitiveness on the international scene.

Manufacturing profits have evidently felt the consequences of the Canadian recession, while the monetary policy of the Bank of Canada, given the high interest rates being

maintained, has caused an important rise in the number of bankruptcies among manufacturers. The rise in bankruptcies is nevertheless more moderate than in Ontario.

UNIT LABOUR COSTS AND PRODUCTIVITY

The productivity of manufacturers in Québec must be placed in the long-term international context.

In the years immediately following the 1973 oil crisis, none of the major industrialized countries have regained the exceptional level of person-hour production that characterized the sixties. The Canadian manufacturing sector, for example, underwent a slowdown in the growth of its person-hour production rate; the average annual rate of growth fell to 2.1% (1973-1979) from 4.5% (1960-1973). As such, Canada was approaching the bottom rung among industrialized countries, ahead of only the United States and Great Britain, whose average rates in the 1973-1979 period had fallen to 1.6% and 1.2% respectively.

This downward tendency of the Canadian position, in terms of person-hours of manufacturing production, was confirmed in the eighties. From 1979 to 1989, the average annual rate of growth had again weakened to 1.8%. Only Denmark's rate of growth was lower for this index. In 1989, (most recent data available) there was no visible change in this area; Canada, with a 2.2% gain, only managed to surpass the United States and Sweden, whose respective rates dropped to 2.0% and 1.6%.

Recent changes in the unit cost of labour have proved to be of a major kind. The rise in these costs, calculated in American dollars, can be largely explained by the realignment of currencies on the exchange markets. It is therefore not too surprising to note that Canada surpassed all other major industrialized countries in this area both in 1988 and 1989. However, even considering the costs (calculated in Canadian dollars), the Canadian increase ranks first in the world classification in 1988 and 1989, with the exception of Sweden.

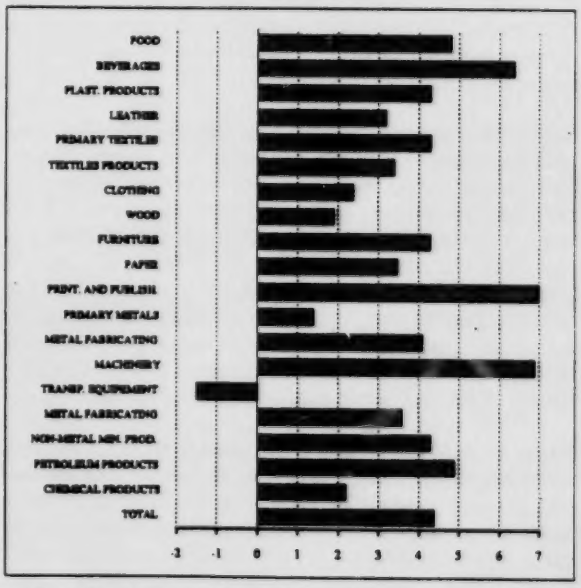
The United States is Canada's main ecónomic partner. The difference in the change in the unit cost of labour in the two countries could not but influence the performance of the Canadian manufacturing sector. Measured in American dollars, these costs have increased by a total of 3.2% in the United States and 37.2% in Canada, during the last four years. The rise in the value of the Canadian dollar and the marked increase in costs can equally explain this rather exceptional difference.

This tendency towards a strong increase in the unit cost of labour continued in 1990. According to data for the first half of the year calculated in Canadian dollars, this increase will have reached 8% compared with 1989 in both Canada and the United States. The similar increase in the unit cost of manufacturing in both Québec and Canada should not come as a surprise. Throughout the eighties, the situation in Québec has never strongly differed from the situation in Canada in this area; from 1979 to 1989, the unit cost of manufacturing increased by 68.1% in Canada and by 67.6% in Québec.

Production in person-hours in the Québec manufacturing sector, on the contrary, has undergone more individualized changes recently. From 1979 to 1987, the differences were hardly noticeable: 14.9% in Québec and 18.9% in Canada. As of 1987, however, the strong increase in employment in the manufacturing sector resulted in a near mechanical reduction in production expressed in person-hours in Québec; this tendency continued in 1989, so that in two years, this indicator had decreased by 10%. In the rest of Canada, on the contrary, the absence of significant progress in manufacturing employment limited the lowering of production in person-hours to 1% over these same two years.

The recession that is hitting the Canadian manufacturing sector in 1990 has resulted in, as usual, a return to the growth in production expressed in person-hours. A com-

UNIT LABOUR COSTS*
QUÉBEC
AVERAGE GROWTH RATES
PERCENTAGE CHANGES
1981/1989



* Excluding tobacco products and miscellaneous manufactured products, for which data are confidential

parison of the first six months in 1990 and 1989 shows that this increase was 2.4% in Québec and 2.8% in the rest of Canada.

During the 1981-1989 period, four Québec industries experienced increases in productivity of more than 35%. First place goes to the transportation equipment sector, with an increase of 48%, followed by primary metal (45%), wood (38%) and electrical and electronic products (36%). However, four industries recorded a decrease of more than 10% on this indicator: beverages (11%), printing (12%), machinery (28%) and petroleum related products (32%).

It must be remembered that the labour productivity indicator, by nature, does not take into account improvement to the quality of a product. During the 1981-1989 period, for example, the rise in the price of plastics (42%) exceeded by far the average rise in prices in the manufacturing sector (31%). It is possible that the real change in productivity in this industry has been stronger than the calculations indicate, since the differentials in the rise of prices may reflect an improvement in the quality.

In the final analysis, the best measurement of productivity remains the opinion of North American manufacturers themselves. It is interesting to note, on this point, that a study on productivity in manufacturing conducted by the Canadian Manufacturers' Association in October 1990 concluded that, according to the indicators developed by that organization, Québec has evolved more favourably than has the Canadian average. Similar results were reached by a separate study conducted for the Association of Manufacturers of Automobile Parts of Canada; according to the experts who conducted this study, Québec is the only region in North America that offers manufacturers significant advantages in terms of costs.

When manufacturers evaluate productivity in Québec, they base their judgment on the combination of several factors. The average annual increase in wages has been lower than the Canadian average in recent years. The average basic wage is lower than in Ontario, as is the cost of industrial land sites. Consumer prices have risen less rapidly than in the rest of Canada. Québec taxes on businesses are now the most competitive, and unlike Ontario, Québec has reduced the upper end of the marginal tax rate on individual income. Moreover, the buying power of low-income persons is higher in Québec than in the rest of Canada.

These aspects, favourable to the relative levels of productivity in Québec, cannot, however, counterbalance tendencies across Canada. The growth in productivity remains weak when compared to the performance of industrial powers in Europe and Asia.

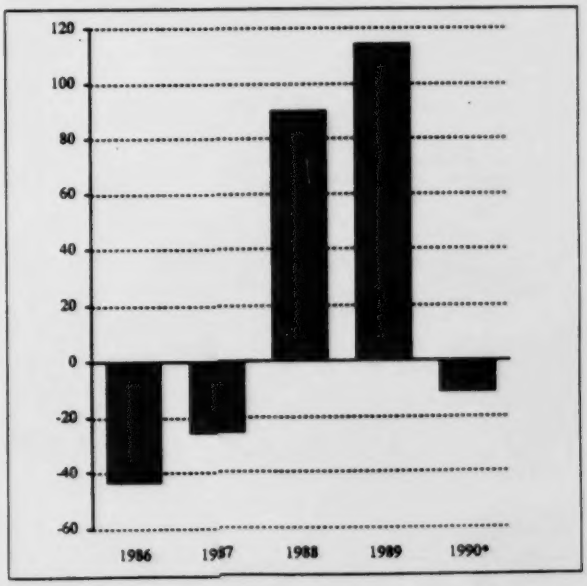
PROFITS

After six successive years of growth at an average annual rate of 17.5%, the profits of Canadian manufacturers dropped by 13.8% in 1989. This tendency continued in first semester of 1990 with the decrease reaching 24.8% as compared with the corresponding period the year before. These decreases have mostly been seen in primary metal products (64.1%), paper and forest products (41.3%), distilleries (36.0%), non-metallic mineral products (33.4%) and chemical products (32.8%). These industries realized close to one third of both earnings by the Canadian manufacturing sector, and shipments by Québec manufacturers. Only the food and tobacco industries recorded strong positive growth rates (11.3% and 33.3%, respectively).

BANKRUPTCIES

For a third consecutive year, the number and attendant liabilities of business bankruptcies in all sectors of economic activity have increased significantly. This increase has been even more acute in Ontario, where the number of bankruptcies has risen by 63.2% (as opposed to 31.7% in Québec) and by 163.4% for attendant liabilities (as opposed to 52.2% in Québec) after the first ten months of 1990.

LIABILITIES INVOLVED IN BANKRUPTCIES
MANUFACTURING INDUSTRIES
QUÉBEC
ANNUAL PERCENTAGE CHANGES



* First ten months

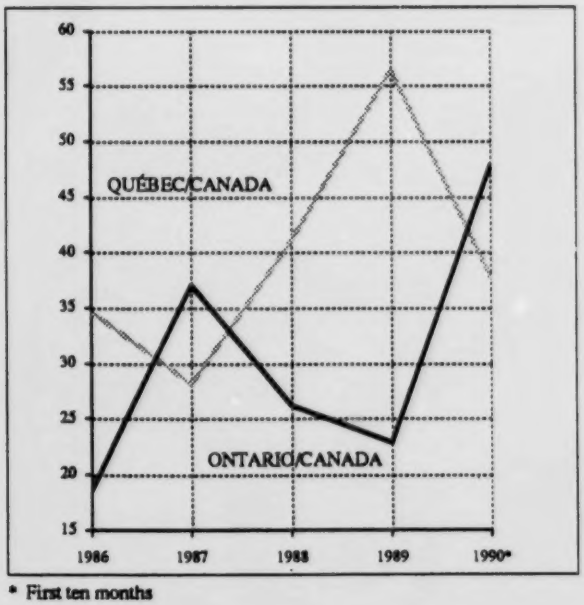
This situation can largely be explained by the fact that the number of bankruptcies rose earlier in Québec than in Ontario, so that the increase in 1990 was all the more obvious in Ontario. Between 1987 and 1989, the number of business bankruptcies in Québec for all sectors of activity increased by 32.1% and attendant liabilities by 105.3%. In Ontario, these same figures represented a drop of 2.2% and a rise of 14.3%.

The same phenomenon occurred in manufacturing industries. Between 1987 and 1989, the Québec manufacturing sector posted increases of 44.7% in the number of bankruptcies and 307.7% attendant liabilities, while Ontario recorded increases of only 0.6% and 25.9% respectively. In 1990 (by comparison with 1989, data from the first ten months), there was a role reversal: the number of bankruptcies increased by 73.5% in Ontario and by 36.6% in Québec, while attendant liabilities declined by 11.4% in Québec and by 366.1% in Ontario.

Still, the number of bankruptcies in Québec manufacturing industries accounts for more than 45.1% of Canadian bankruptcies in 1990, whereas Ontario's share is only 29.4%. As for attendant liabilities, the respective proportions are 37.7% and 47.9%.

From January to October, three sectors of activity accounted for more than two fifths of the bankruptcies in the Québec manufacturing sector. These are clothing (62 bankruptcies), printing and publishing (44) and furniture (47). However, in spite of the persistence of a certain sectorial concentration, the increase in bankruptcies is widespread over all industries.

LIABILITIES INVOLVED IN BANKRUPTCIES
MANUFACTURING INDUSTRIES
QUÉBEC/CANADA AND ONTARIO/CANADA
(PERCENTAGE)



* First ten months

THE TRADE SECTOR

THE TRADE SECTOR

In the first quarter of 1990, households were confronted both with the high level of their debt, and with the increasing interest rates that resulted from the monetary policy of the Bank of Canada. They decided to save rather than to contribute to the further growth of consumer spending. Such behaviour could not help but influence the Québec trade sector. Retail sales stagnated and wholesale merchants' sales declined. Efforts to increase saving were especially evident in the decrease in durable goods purchases. Sales in automobile, furniture, and household appliance industries were hit the hardest.

Employment continued to progress in the wholesale trade and, according to mid-year Statistics Canada forecasts, the Québec trade sector should maintain a steady growth rate of capital expenditures in 1990. As in the manufacturing sector, however, the policy of high interest rates pursued by the Bank of Canada, and the deterioration of the North American economic situation explain decreasing profits and increasing bankruptcies.

CONSUMER PRICES

The overall consumer price index in Québec went up by 4.1% for the first ten months of 1990 (compared to 4.2% in 1989). Inflation rates were 4.1% in Montréal, and 4.0% in Québec (compared to 4.4% and 4.0% respectively for 1989). The progression in the overall Canadian consumer price index slightly decreased, sliding from 5.0% to 4.8% after the first ten months of 1990. For the fourth consecutive year, Ontario exhibited the highest inflation rate among all provinces, with a 4.8% increase in prices.

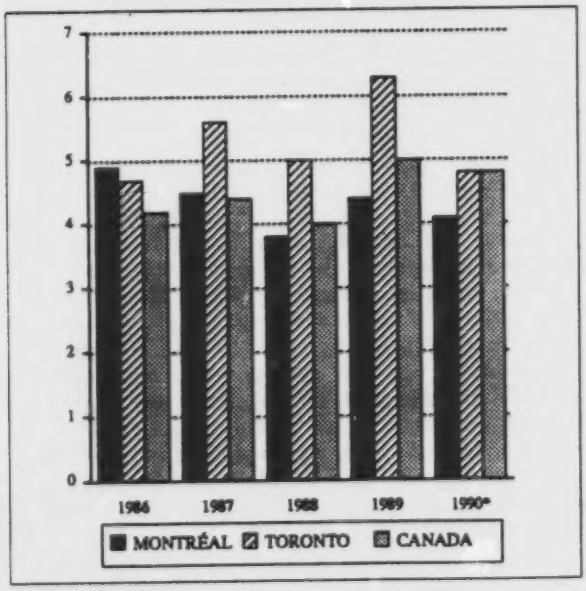
The Montréal consumer price index includes moderate increases in transportation (3.4%), food (3.1%), clothing (2.8%), and recreation and training (4.2%). More striking price increases are observed with respect to energy (8.6%), and tobacco and alcoholic beverages (10.9%). A slight inflationary tendency is also noted in health and personal care (4.2%). Durable goods only register a very slight increase (0.4%); such moderate growth is explained by the low level of demand for this type of product, especially for automobiles and home furniture. Increases are more striking for non-durable goods (5.5%) and services (4.4%). Semi-durable goods are up only 3.0%.

In Québec City, the inflation rate has not progressed, despite marked increases in tobacco products and alcoholic beverages (10.9%), energy (9.0%) and, to a lesser degree, housing (4.9%) and personal and health care (4.3%). Very moderate price increases in recreation (3.1%), food (2.3%), clothing (2.8%), and transportation (3.0%) explain the overall rise of the index. As in Montréal, a lack of symmetry is apparent between the very moderate change in prices of durable goods (0.5%) and the steep changes for non-durable goods (5.1%) and services (5.0%); here again, semi-durable goods hold an intermediate position, with a 2.6% rise.

In the first months of 1991, the combined impact of the provincial and federal tax reforms, and a possible upward thrust in energy prices (should the Persian Gulf crisis fail to be resolved peacefully) are widely expected to generate temporary inflationary pressures on prices in Québec and in Canada. Such expectations could have concrete repercussions on wage settlements.

The intensification of inflationary pressures on wages will be all the more likely since wages are already showing a tendency in that direction. Indeed, wage settlements reached in 1990 already include significant upward pressure for the years to come, a fact not to be overlooked. In the collective agreements negotiated during the first quarter, wage increases granted for the first and second years hovered around 5.8%. This is part of a trend over the last few years: in 1987, this rate was set at 3.3%, in 1988 at 4.8%, and in 1989 at 5.2%. However, rising unemployment, without entirely offsetting these upward pressures on wages, could reduce them up to a point.

CONSUMER PRICE INDEX
MONTRÉAL, TORONTO, CANADA
ANNUAL PERCENTAGE CHANGES



* First ten months

HOUSEHOLD DEMAND COMPONENTS

Saddled with heavy debts, Québec households have used the 1990 growth in their disposable income to increase savings rather than purchases. Personal expenditures in consumer goods and services have decreased and housing starts have experienced an unprecedented drop. This new behaviour has not spared households from a very significant increase in personal bankruptcies, due to the restrictive monetary policy of the Bank of Canada.

DISPOSABLE INCOME

Compared to the second half of 1989, personal disposable income in Québec was up 3.1% in the first semester of 1990, when measured in seasonally adjusted data. From one semester to the next, progression had been 2.7% in the second half of 1989, and 5.0% in the first.

The most important component of personal disposable income is the remuneration of wage earners, which represents close to two-thirds of the sources of household income. In seasonally adjusted data, this remuneration grew 3.8% from the second half of 1989 to the first of 1990 (compared to 4.0% in the second half of 1989 and to 3.5% in the first). The total remuneration of wage earners was recorded at $89,444 million for the first half of 1990 (data given as a yearly figure). To assess such growth, however, provision should be made for retroactive wage payments during the second quarter in the provincial and federal public sectors, and in public services (Hydro-Québec). Without such payments, estimated at some $300 million, the growth in the remuneration of wage earners would have been limited to 1.4%.

Public administrative transfers to individuals (such as pensions, unemployment insurance, family allowance, social welfare, etc.) grew 5.8% in the first quarter of 1990. Such a rise also accounts for the upward trend in personal income over the first half of the year. If these transfers had grown at a rate more in keeping with what occurred in recent years (when increases were around 1.5% per quarter), the capacity of households to generate revenues in the absence of retroactive payments would have resulted in a growth in personal disposable income limited to 0.2% for the first half of 1990. The rise in transfers can be attributed to the slowdown of economic activity.

Interest, dividends and various other investment income also contributed to the growth of personal disposable income, with increases of 3.7% from the last quarter of 1989 to the first quarter of 1990 and of 3.1% from the first to the second quarter of 1990. Such a rise reflects the high rates of return prevailing during this period, particularly on treasury bonds and term deposits.

CONSUMER SPENDING AND SAVING

The increase in personal disposable income has been more favourable to saving than to spending. Indeed, after a slight increase of 1.4% in the first quarter, personal spending on consumer goods and services registered a 0.4% drop in the second quarter, to reach $94,344 million (seasonally adjusted, annualized data). This was the first drop in current dollar consumer spending since the first quarter of 1971.

The weakness in consumer spending during the second quarter was mainly attributable to the decrease in spending on durable goods, which suffered the largest drop (4.0%). Spending on semi-durable goods also declined (1.8%). The increase in spending on non-durable goods (0.3%) limited the decline in total spending on goods to 1.4%. Spending on services increased by 0.8% following a 1.7% growth in the first quarter.

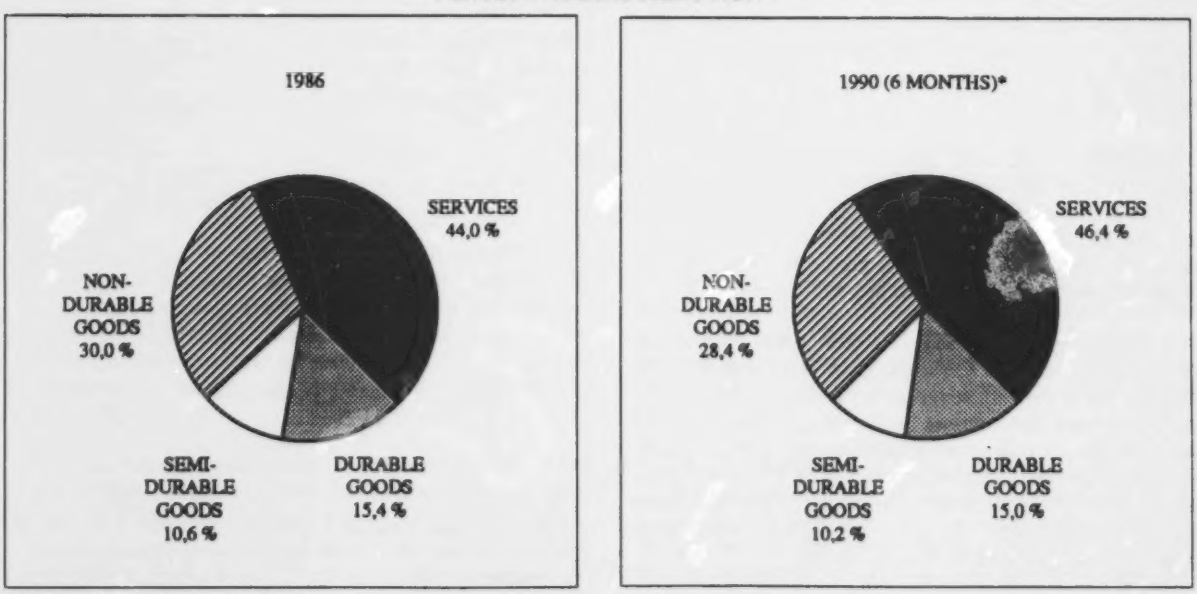
Faced with a difficult personal financial situation and a significant downturn in the economic situation, numerous consumers are reviewing their spending programs. This is reflected in the level of consumer purchasing intentions which, for Québec, declined during the third quarter of 1990 to the lowest level recorded in thirty years (excluding 1981-1982).

The significant decrease in consumer spending easily explains the 8.5% growth in personal savings which took place in the second quarter. Thus, within six months, the seasonally adjusted savings rate jumped by almost one percentage point to reach 9.7%; it stood at 8.9% in 1989, and 7.4% in 1988. Despite transitory influx of income, and the lowering of demand, however, households have still not managed to reduce their commitments.

INDEBTEDNESS AND PERSONAL BANKRUPTCIES

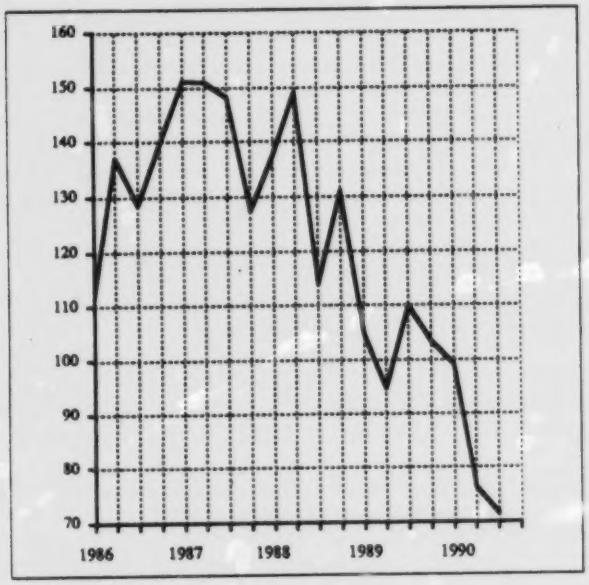
The total debt ratio calculated in gross data reached 58.4% for the first half of 1990, compared to 57.8% in 1988 and 1989. This increase is mainly due to the growth in residential mortgage loans, which, on the same basis of comparison, saw their portion of disposable income increase from its 40.5% to 41.4%. Consumer loans maintained its share slightly above 17%.

PERSONAL SPENDING ON CONSUMER GOODS AND SERVICES
QUÉBEC
PERCENTAGE DISTRIBUTION



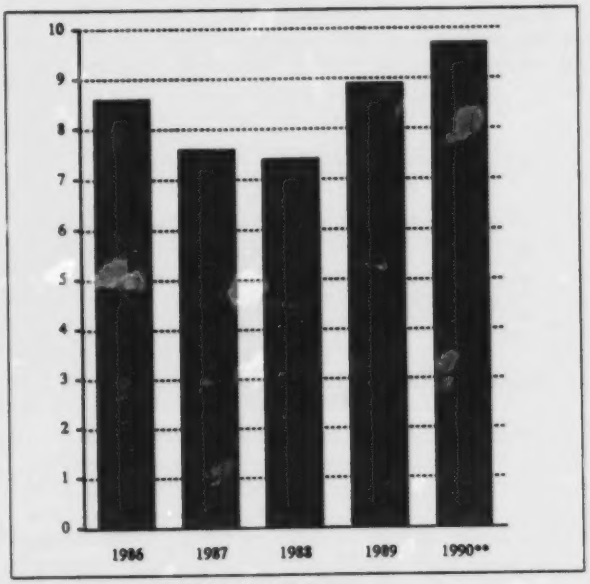
* Seasonally adjusted, annualized data

CONSUMER PURCHASING INTENTIONS*
QUÉBEC
1961 = 100



* Seasonally adjusted data

SAVING RATE*
QUÉBEC
(PERCENTAGE)



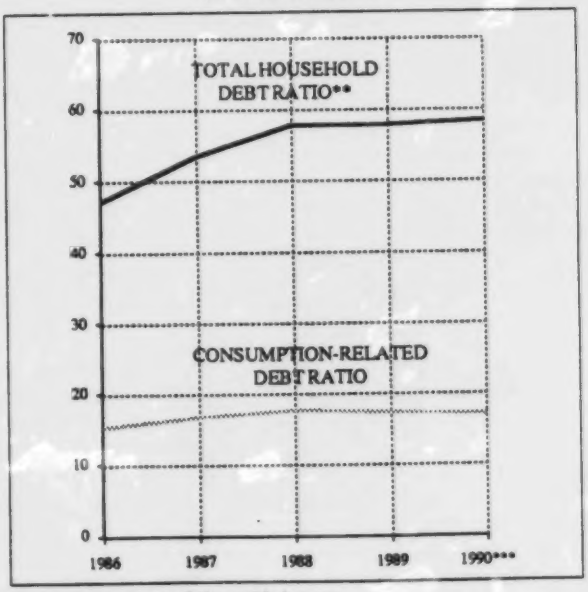
* As a percentage of disposable income
** Seasonally adjusted, annualized data

Given the high interest rates that prevailed in 1990, the debt burden became an increasingly important dimension of household finances. This debt burden rose for the fifth consecutive year and interest payments on consumer debt reached a record high of 1.8% of disposable income for the first half of 1990. No other explanation needs to be found for the rise in the number of personal bankruptcies.

The number of personal bankruptcies in Ontario, as in Canada as a whole, increased at a rate that has not been reached since the beginning of 1974. In the first ten months of 1990, 12,638 Ontario consumers declared bankruptcy, up 74.4% compared to the same period in 1989. The increase in Canada as a whole reached 41.7%.

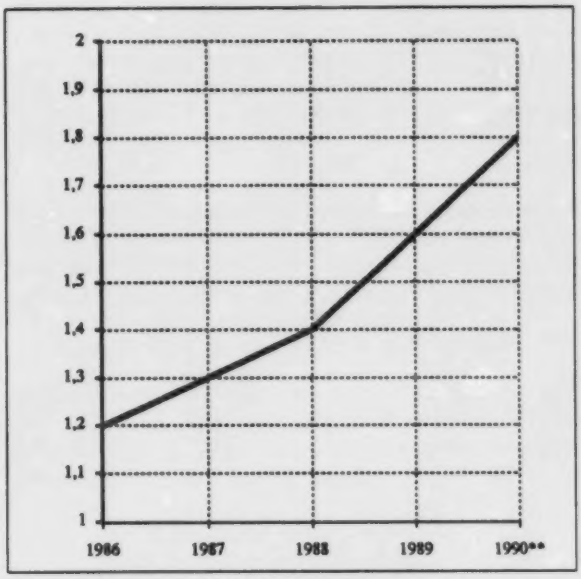
Only Québec seemed to register a more modest growth in the number of personal bankruptcies in 1990, with a 21.2% increase. As in the industrial sector, however, Québec began this upward trend almost five years ago. Between 1986 and 1989, despite economic expansion, the number of bankruptcies in Québec climbed an average of 19.7% per year, and the value of the liabilities involved by 9.2% (the corresponding growth rates were 5.5% and 3.6% respectively in Ontario, and 10.3% and -2.4% in Canada).

CONSUMER DEBT RATIO*
QUÉBEC
(PERCENTAGE)



* As a percentage of disposable income
** Total household debt includes residential mortgage loans besides consumption loans
*** First six months

INTEREST PAYMENTS
ON CONSUMER DEBT*
QUÉBEC
(PERCENTAGE)



* Interest payment on household debt, as a percentage of personal disposable income

** Seasonally adjusted, annualized data after nine months

The slackening of the labour market can be expected to reduce disposable income in the next few quarters, and the tax reforms will do likewise. This will make the existing household debt burden even heavier. Faced with this foreseeable reduction in purchasing power, consumer spending, especially spending on durable goods, should continue to decline as consumers primarily allocate their income to decrease the debt burden.

HOUSING STARTS

Contrary to what analysts expected, residential construction in Québec maintained a relatively high level during the first half of 1990. This steadfastness can be explained by stronger-than-expected job creation, and consumer attempts to reschedule their spending to beat tax reforms and to benefit from the provincial assistance program due to end in 1991.

The situation changed radically at the beginning of the second half of the year. Based on the seasonally adjusted, annualized rate, the number of housing starts in Québec (in urban centres with more than 10,000 inhabitants) stood at 59,000 in June, 40,000 in July, 33,000 in August and 25,000 in September. The September data amounted to an 84% setback when compared to September 1989 and a 112% drop when compared to December; housing starts had never been so low since 1982.

This strong downward tendency is not unique to Québec. Statistics for the month of September confirm that the drop in housing starts has spread to most Canadian regions. This is true for Ontario, where the total number of housing starts fell by 31.3% in September to 44,000 (seasonally adjusted annualized data), corresponding to a 45.5% drop with respect to September 1989 and to a 72.7% drop with respect to December.

The persistence of high interest rates and high vacancy rates, combined with the deterioration of the labour market, should continue to curb construction activities. The growing evidence that a significant economic slowdown is taking place does not bode well for hopes of a rapid revival in residential construction.

SALES

The reversal of the economic situation in Canada in 1990 has caused a decline in real value for sales, both at the wholesale and retail levels. The drop in Québec is, however, less significant than in Ontario.

WHOLESALE TRADE

After having experienced one of its best years in 1988 with a 10.7% upsurge in sales, the combined sales of Québec wholesale merchants dropped by 1.9% in 1989. For the first nine months of 1990, this downturn continued, with a 2.4% drop in comparison with the same period the preceding year. Wholesale trade only totalled $34.7 million from January to September. Yet, the performance of the Québec wholesale trade sector exceeds those of Ontario wholesalers (down 4.5%) and are comparable to the Canadian average (a 2.5% decline).

Based on the same comparison, sales of Canadian wholesalers increased by 2.8% in the food, beverages, drug and tobacco sectors. Moreover, the residual wholesale category (including farm products, paper, forest products, etc.) recorded a 4.4% rise in sales, compared to a 6.7% decline in 1989.

The metals, hardware, plumbing and heating sub-sectors, as well as clothing, are among those responsible for the overall drop in Canadian wholesalers' sales. In 1990, sales for the first three quarters dropped 13.8% and 11.3% respectively, compared with the same period in 1989. As a

result of the slump in housing starts which started in 1988, the wholesale trade of lumber and construction materials recorded setbacks of 3.1% in 1989 and 5.6% in 1990.

When sales are decreasing, wholesalers are best to maintain their inventory levels as low as possible to keep costs down. Indeed, in Québec and across Canada, a tendency to reduce inventories appeared in conjunction with the signs of slowing sales. Thus, since sales began their downturn at the outset of the year, Canadian inventories in 1990 have only shown insignificant growth (they are up 0.3%).

RETAIL TRADE

Retail sales in Québec have recorded a slight (0.4%) drop in 1990 (compared with the first nine months of 1989), for a total of $35.1 billion. In real terms, it amounts to an approximate reduction of 4.4%. Ontario and Canada are also experiencing a decrease in sales, of 0.4% and 1.5% respectively; the actual corresponding rates of decline in real terms are 4.5% and 2.7%. During the first half of 1990, the slump in sales was highly concentrated in Ontario and Québec. For the entire year, retail sales should increase by less than 1%. This would constitute by far the weakest performance over the last twenty years.

Sales of durable goods are down significantly, 3.6% when compared to the first half of 1989. This downturn is primarily attributable to a drop in retail automobile and recreational vehicle sales (5.2%), and, to a lesser extent, to sluggish retail sales in furniture accessories (8.1%) and furniture and household appliances (3.5%). Again in 1990, sales in automobile parts and accessories and services have benefited from the collapse of new car sales; they are up 5.6%.

The drop in automobile sales, now over four quarters old, combined with a significant downturn in housing starts during the second half of 1990, has dashed any hope for a quick recovery of sales in durables. Expansion in the near future is most unlikely for furniture, furniture accessory and household appliance retailers, these sectors being directly hit by the setback in residential construction. It should be remembered that the combined sales of these two categories of stores, compounded with that of automobile retailers, amount to close to a third of the retail sales in Québec.

Sales of semi-durable goods grew 2.4% (by comparison of the first six months of 1990 and 1989). Two components are responsible for the positive performance of this sector. Sales in ladies' clothing stores and in specialized shoe stores increased by 10.5% and 5.9% respectively. Only men's clothing stores registered a drop in sales (1.7%).

Sales of non-durable goods increased by 3.7%, the best result in the entire retail sector. This performance is essentially attributable to three types of stores. Sales of patented drugstores and pharmacies were up 11.2%. Gas stations registered a 9.2% growth. Finally, food stores not classified as supermarkets or grocery stores enjoyed a 6.3% increase in sales.

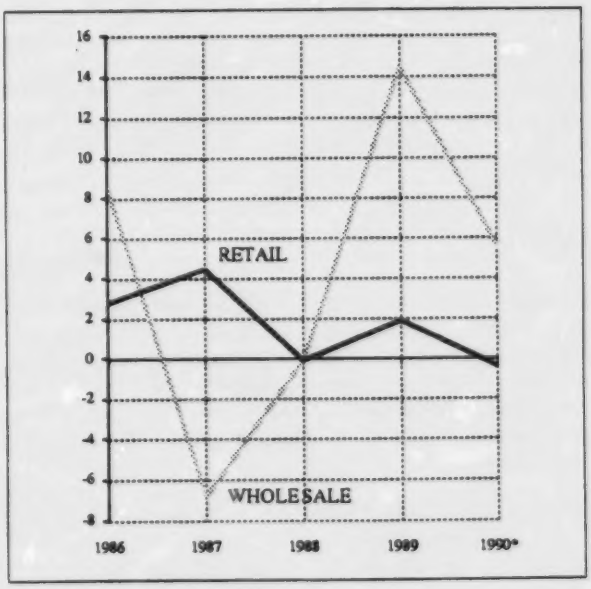
UTILIZATION OF HUMAN RESOURCES

The steadiness of employment in the trade sector went along with renewed tendencies towards wage increases; the number of person-days lost in labour conflicts diminished.

EMPLOYMENT

Employment in the Québec trade sector has remained steady in 1990, thanks to the performance of the wholesale trade sector. The total number of jobs increased by 1.4%; wholesale trade reached a growth rate of 5.6% on that count

EMPLOYMENT IN THE TRADE SECTOR
QUÉBEC
ANNUAL PERCENTAGE CHANGES



* First ten months

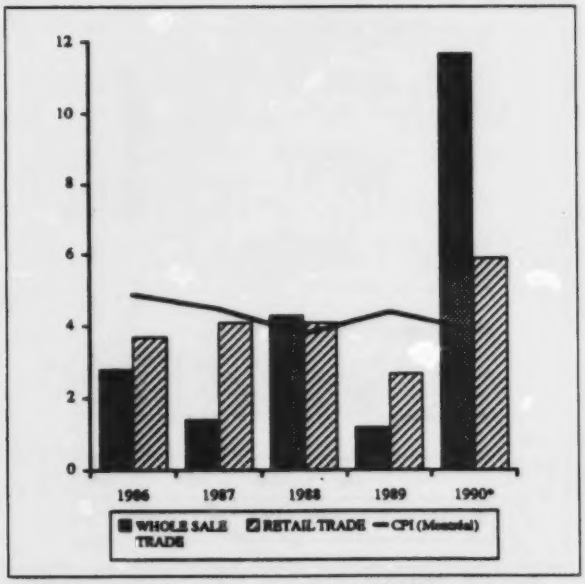
(comparison for the first ten months of 1990 and 1989). The number of jobs in the retail sector changed little.

These overall figures, however, underestimated the vitality of this segment of the Québec market, since they did not account for the substitution of 5,100 full-time jobs to part-time jobs. The number of full-time jobs in the trade sector increased by 2.9% in Québec (they were up 7.6% in the wholesale trade sector); as in 1989, Québec outperformed Ontario, where total growth in trade employment was only 1.7%.

WAGES

Rather strong upward trends in hourly wages were experienced in 1990 in the Québec trade sector. In the wholesale trade sector in particular, the rate of growth of the average hourly wage shot up from 1.2% in 1989 to 11.7% (data from the first eight months). The retail sector followed the same pattern but the increase in growth was less spectacular, being limited to a jump from 2.7% in 1989 to 5.9% in 1990. In both cases, however, the situation could be quite different according to the sub-sector.

HOURLY EARNINGS IN THE TRADE SECTOR*
QUÉBEC
ANNUAL PERCENTAGE CHANGES



* Employees paid by the hour (including overtime)
** First eight months

LABOUR RELATIONS

More than 22,000 workers in the Québec trade sector had to renew their collective agreements in 1990. By late September, less than 7% had resorted to strike action. Labour conflicts were relatively more frequent in the retail trade sector. More than 8,300 workers in the trade sector still have to complete negotiations pertaining to the renewal of their collective agreements.

Between 1987 and 1989, the wholesale trade sector experienced few fluctuations in the number of person-days lost in labour disputes. Contrary to this, in 1990, a favourable trend occurred; statistics indicated an approximate 60% drop in the number of days lost (compared with the first nine months of 1989). Similarly, the decrease in the retail trade sector was 38% in one year.

The most striking trend over the past six years has been the longer average duration of labour disputes in the retail trade sector. The average strike or lock-out lasted 11 days in 1985, 30 days in 1986, 40 days in 1987, 47 days in 1988, 52 days in 1989 and 62 days in 1990.

Over 400 collective agreements will expire in 1991, involving more than 24,500 workers, 11.2% more than in 1990. The most important collective agreement to be renegotiated will be Steinberg's, affecting 6,300 employees.

UTILIZATION OF OTHER FACTORS OF PRODUCTION

INVESTMENT

According to Statistics Canada's survey on investment intentions, capital spending was to show renewed vitality in the Québec trade sector: the annual rate of growth was up 8.3% in 1990, compared to 4.0% in 1989. The $50 million increase in investment over 1989 was almost entirely attributed to the investment efforts of a specific sub-sector; gas stations increased their capital expenditures by $43 million in 1990, a 46.9% rise over 1989, largely to install tanks meeting new environmental regulations.

Combined data on the Québec trade, commercial services and financial sectors indicated that capital expenditures were to grow by 3.8% in 1990, a slightly higher rise than in 1989 (2.3%). The Québec/Canada ratio of such capital expenditure has remained stable since 1986; it stood at 20.1% in 1990 (compared with a value oscillating around 16.4% between 1980 and 1984). Construction expenditures were up 6.4% while equipment expenditures increased by only 1.6%.

COMPETITIVENESS

PROFITS

Base earnings in the Canadian trade sector dropped significantly, to $4.6 billion in the first half of 1990 (semi-annual data), a 9.6% drop compared with 1989. This downturn was mainly due to wholesale trade (13.8% decline). The retail trade sector experienced a more restrained evolution, with a drop in sales limited to 5.4%.

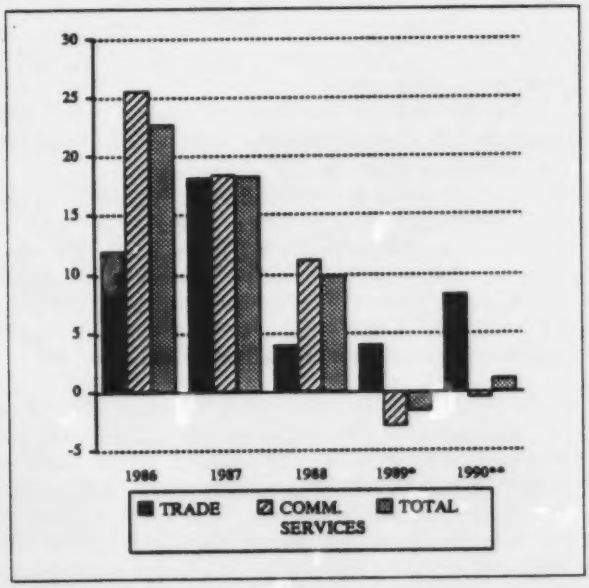
In the retail trade sector, large retail outlets saw their profits melt away by 21.0%. They were hit head-on by the dwindling of sales in various sectors sensitive to the economic situation (primarily furniture and household appliances and generally all durable goods). Moreover, the important sector of automobile retailers registered a 5.2% drop in retail sales, which had repercussions on profit, down 9.2%. On the positive side, the rationalization of the retail food sector seemed to have been a success; despite a modest 0.6% growth in sales, profits of the food stores indicated a 17.4% increase.

In the wholesale trade sector, food wholesalers did not seem to benefit from the same advantages as retailers; their profits dropped 9.3%. As for the setback in activity in the construction sector, it has brought about a significant downturn in the sales of lumber and building materials, and in the related hardware, plumbing and heating products. This most certainly explains the 21.1% decline in profits in this sector. Finally, the considerable drop in the sales of machinery and farm equipment is not unrelated to the 15.8% decline in profits recorded in the machinery and large equipment sector.

BANKRUPTCIES

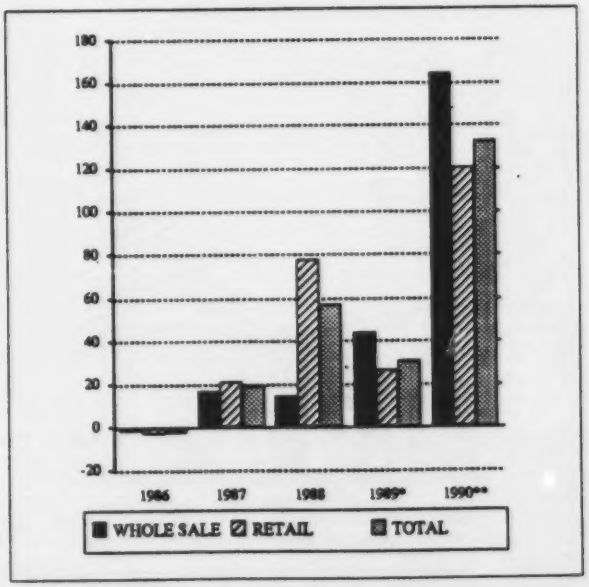
In a period of economic slowdown, the decline in domestic demand has almost immediate repercussions on the trade sector. The number of bankruptcies in the Québec trade sector has increased by 32.0% in 1990 for a total of 1,373 bankruptcies in the first ten months. Attendant liabilities reached $359.9 million at the end of the ten months, an increase of 83.9%. Corresponding growth rates in bankruptcies rose to 66.1% in Ontario and attendant liabilities to 142.5%. These figures for Canada as a whole reached 33.9% and 103.4% respectively.

CAPITAL EXPENDITURES
TRADE AND COMMERCIAL SERVICES
QUÉBEC
ANNUAL PERCENTAGE CHANGES



* Preliminary
** Mid-year forecast

LIABILITIES INVOLVED IN BANKRUPTCIES
TRADE SECTOR
QUÉBEC
ANNUAL PERCENTAGE CHANGES



* First eight months
** First eight months

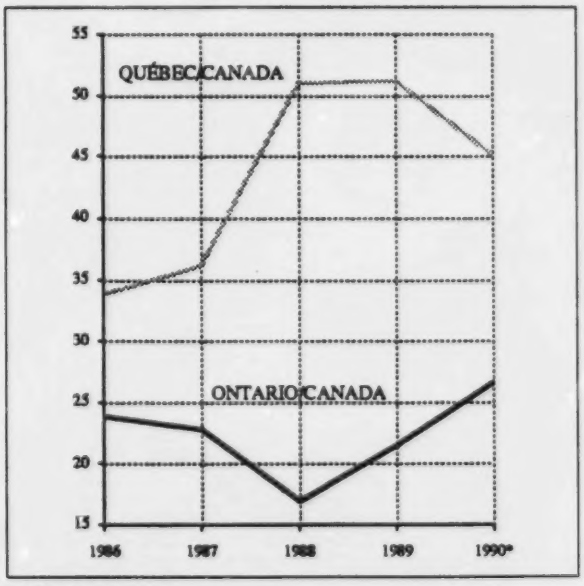
Although less numerous, bankruptcies in the wholesale trade sector increased much more rapidly than in the retail sector. Compared with the first eight months of 1989, the number of bankruptcies in the wholesale trade sector shot up by 112.3% in 1990, affecting 242 businesses; attendant liabilities climbed 164.5% to $95.6 million. In the retail trade sector, the number of bankruptcies reached 24.4% and involved 835 retailers; the attendant liabilities jumped by 120.3% to $203.6 million.

Just as in Québec, it is wholesalers in Ontario and throughout Canada who influence the upswing in the statistics for commercial bankruptcies. During the first eight months of 1990, Ontario experienced a 102% increase in the number of bankruptcies while attendant liabilities rose 148% (compared with the same period in 1989). For Canada, the corresponding figures are 90% and 218% respectively. During the same period, the number of bankruptcies at the retail level grew by 156% in Ontario and by 26% for Canada, while attendant liabilities registered increases of 87% and 100% respectively.

Since 1988, Québec has registered close to half of the number of bankruptcies recorded in the Canadian trade sector; the proportion was slightly higher with respect to attendant liabilities. This situation continued in 1990, with percentages of 47.0% and 45.1% respectively (data from the first nine months). In Ontario, the number and amount of bankruptcies in the trade sector were estimated at roughly 20% of the Canadian total in recent years; after the first ten months of 1990, these percentages reached 25.4% and 26.7% respectively.

The sometimes precarious state of consumers' financial situations, combined with the evolution of financing conditions, has caused a significant downturn in sales and a reduction in profit margins. The acceleration witnessed in the number of bankruptcies, therefore, cannot be said to be surprising. This trend will probably not be reversed in the near future, given the present deterioration in both the indices evaluating the financial situation of households and those measuring consumer confidence in the Canadian economic situation.

LIABILITIES INVOLVED IN BANKRUPTCIES
TRADE SECTOR
QUÉBEC/CANADA AND ONTARIO/CANADA
(PERCENTAGE)



* First ten months

ANALYSIS BY INDUSTRY GROUP

ANALYSIS BY INDUSTRY GROUP

DURABLE GOODS

WOOD

For the second year in a row, the Québec wood industry has been facing tough economic conditions. According to analysts writing at the end of 1989, the situation hardly looked encouraging; data published so far in 1990 have provided ample confirmation of this diagnosis, both in Canada and Québec.

Shipments from Québec firms have declined 2.3% in current dollars (data from the first nine months). The major downturn initiated in 1988 has resulted in swollen inventories; for the first nine months of 1990, the average Canadian ratio of finished products-to-shipments reached 68%, while it stood at only 58.3% during the same period in 1989. Meanwhile, layoffs and temporary shutdowns have multiplied. According to data published by Statistics Canada, the industry has lost 18.2% of its jobs in Québec (when comparing the first eight months of 1989 and 1990). The evolution of the production capacity utilization rate is quite revealing too: 94.4% in 1988, 89.8% in 1989 and 83.4% in 1990 (data from the second quarter, in all three cases). The 1990 production of resinous lumber in Québec shows a 10.2% decrease in volume when compared with 1989.

The two major industrial uses for the wood industry are the building trade and paper making. From March to September, housing starts declined by 40% in Canada (seasonally adjusted data), while the pulp and paper industry, already affected by the drop in demand for its own products, suffered a series of strikes in the fall, reducing its orders for wood chips. This unfortunate combination involving cuts by the two major clients of the industry has created a sharp drop in demand. Another ominous development came with the savings and loans crisis in the United States, which has compounded the general effect of the economic downturn to further depress the number of housing starts south of the border.

At the same time, the rise in value of the national currency acted as a depressing factor on the profits of Canadian

sawmills, since a number of contracts with the United States are drawn up in American dollars. Profits dropped by 26.5% from 1989 to 1990 (comparison of second quarter data). The situation on the foreign exchange market has increased imports by 5.2% and decreased exports by 7.2% in Québec in 1990 (mid-year data).

Faced with such difficult times, sawmills in Québec have continued to demand that the 8% tax imposed on lumber exports to the United States be abolished. That tax had been set up in 1987 in response to American pressures (the initial rate of the tax was 15%). Québec manufacturers pointed out that the increase in stumpage have made the tax superfluous. Negotiations with the United States have led to concrete measures, announced on November 1, 1990. The tax rate was immediately lowered to 6.2%, with another 3.1% reduction effective November 1, 1991. On the European market, however, new regulations pertaining to the seasoning of imported wood should come into effect on December 1, 1991. These may translate into costly investments for some Québec exporters.

The forest industry in Québec is now subject to the Forestry Act (L.R.Q. ch. F-4.1); the objective of the new regulations is to ensure that ligneous matter in public forests will be renewed on a long-term basis. For sawing firms, complying with the law has resulted in an increase in costs related to resource acquisition.

In an industry with a number of small and medium-sized businesses, the combination of costly institutional changes with decreasing demand could not help but bring about structural reorganization. As a matter of fact, according to the Association des manufacturiers de bois de sciage du Québec, 35% of the production capacity in the sawing industry was transferred within a three-year period from small and medium-sized businesses to large pulp and paper companies.

Purchases of businesses were more frequent than new investments. With a 58% drop in capital expenditures expected in 1990, wood ranked last among all major Québec industry groups in terms of capital expenditures. Consequently, the Québec/Canada ratio on this count has plunged to a record low of 11.5% (in 1982, it stood at 39%).

Two firms decided to build a new plant on the Côte-Nord, however: Scierie Manicouté (a $22 million project) and Scierie Forestville ($2.2 million). Meanwhile, the Q & O paper company spent $15 million on the road servicing the large sawmill it has modernized in Pointe-aux-Outardes. In Gaspésie, a new sawmill will also be built in Cap-Chat (Deniso Lebel, $6 million). Several projects by panel manufacturers are worth mentioning: in Lac-Mégantic, Tafisa ($53 million) and Les Industries Manufacturières Mégantic ($0.5 million); in Val-d'Or, Les Industries Norbord ($6.8 million).

Some modernization programs in sawmills exceeded $1 million, such as those of Bois Francs D.G. in Sainte-Aurélie ($1.9 million), Scierie Causap in Causapscal ($1.6 million) and Scierie Jacques Beaulieu in Saint-Paul-du-Nord ($1.4 million). In the Laurentides region, the Max Meilleur & Fils project in Ferme-Neuve was valued at $4.8 million, while that of Panfibre in Mont-Laurier reached $3.5 million. Another large investment project, Normick Chambord ($5 million), is located in the Lac Saint-Jean region.

Finally, Resco Côte-Nord will process wood residues into briquettes in Saint-Paul-du-Nord, a $3.4 million project creating 22 jobs. Camcar 2000 will produce prefab houses in Thetford Mines, a $3.5 million project involving 20 new jobs.

FURNITURE

The furniture industry has not been faced with an easy economic situation in 1990. Household furniture, especially, was hard hit by a full scale recession in its sector.

From month to month, Canadian shipments by household furniture manufacturers have always been lower than the figures for the corresponding month in the preceding year. The trend accelerated. From April to September, this drop reached at least the 20% figure. In Québec, the furniture industry, overall, has seen its shipments decline by 9.1% (data from the first nine months). The slump in sales brought the average Canadian inventory/shipments ratio up from 41.1% in 1989 to 46.8% for the first nine months of 1990. Profits dropped 25% (comparison between the second quarters of 1989 and 1990). A number of important bankruptcies occurred in Québec, and even more in Ontario.

Faced with reluctant buyers, firms greatly reduced their demand for production factors. Provincial employment data by industry group are always somewhat uncertain, due to the small size of the samples used by Statistics Canada. The published figures, however, look realistic; they include a 10% drop in employment in the furniture sector in Québec in 1990 (data from the first eight months). The production capacity utilization rate has experienced a brutal decline, falling as low as 66.2% in the second quarter (it still stood at 80.1% one year earlier); furniture has therefore dropped from the 13th to the 21st position in the industry classification in Québec, there are only 22 contenders (tobacco, a very special case, traditionally occupies the bottom rank).

Consequently, investment has decreased. A Statistics Canada survey which took place during the first half of 1990 indicated that capital expenditures in the Québec furniture industry would decrease by 13% in 1990, after having experienced setbacks of 21% and 31% respectively in 1988 and 1989. The amount of capital expenditures in 1990 will

therefore now only reach half of the 1987 level. The extent of this decline in investment in Québec is noteworthy. The Québec/Canada capital expenditure ratio dropped from 39.7% in 1987 to 25.5% in 1990.

The almost complete lack of new investment projects being announced well illustrates the difficult situation experienced by the furniture industry. The relocation of Rougier, however, will require spending $7 million to bring 150 employees together in Laval; yet the firm has dropped its project to increase production capacity by 50% and produce high quality office furniture. El Ran Furniture and Cosa Creation jointly modernized their Pointe-Claire facilities at a cost of $1 million. Finally, two projects interested the bedding sub-sector: the expansion of Literie Primo in Montréal-Est ($1 million) and the relocation and expansion of a mattress firm in Terrebonne ($0.75 million).

Drawing up the list of factors contributing to the difficulties of the Québec furniture industry in 1990 is easy: the sluggishness of the economy after seven years of record expansion, and important changes in the fiscal and commercial environment of firms. The transitory impact of these changes, however, is still hard to assess.

On the demand side, the significant drop in housing starts throughout North America has lead to a reduction in the orders of furniture for offices and new housing; at the same time, high interest rates coupled with heavy consumer debt have had a significant dissuasive impact on the purchase of furniture for existing dwellings.

On the supply side, the high interest rates imposed by federal monetary policy have also wrought unfortunate consequences upon the furniture industry in Québec. In this sector with many small and medium-sized businesses, firms find it difficult to self-finance projects. Furniture manufacturers have thus been penalized, given their limited access to financial capital markets at a time when the onset of important structural changes required special adaptation efforts on their part.

With respect to taxation and customs tariffs, 1990 indeed appears as a key year for the furniture industry. The effects of the gradual implementation of the Free Trade Agreement, begun in 1989, have been felt, while the industry had to prepare for the impending introduction of both the provincial and federal sales tax reforms.

The Québec furniture industry had requested a ten-year adaptation period prior to the establishment of complete free-trade with the United States; it emphasized the lack of symmetry between Canadian and American tariffs, the latter being much lower. The furniture industry, however, was given no special treatment, and the gradual elimination of tariffs was scheduled to take place over five years. The sharp rise of the Canadian dollar on exchange markets has further complicated the task of Québec producers. Competition from the United States was especially vigorous in the low quality furniture sector. Attracted by lower labour and transportation costs, a few Québec manufacturers, such as Industries de la Rive-Sud (Sainte-Croix-de-Lotbinière) and Dutailier (Saint-Pie-d'Iberville), even chose to move operations directly to the United States.

During 1990, the furniture industry has had to include in its plans the coming impact of federal and provincial tax reforms on consumer spending. These reforms will require significant adjustments in the household furniture industry. This type of furniture is now exempt from the 9% provincial sales tax in Québec; this attractive special status will disappear when the new tax is introduced. It should be kept in mind that in 1989, household furniture accounted for 58% of all Québec furniture shipments (this percentage was only 48% in Canada as a whole).

On the other hand, tax reforms should have a positive impact on the office furniture industry, which did not benefit from any special exemption in the old taxation system. Foreign markets will not be subjected to the new tax system, a significant plus for an industry where exports to the United States are a major part of sales. Moreover, a opposed to the case of home furniture purchased by households, businesses in the new system will be able to get a tax refund for the amount of provincial and federal tax paid when buying furniture.

Despite the recession affecting the furniture industry as a whole, a number of sub-markets continued to perform well by making judicious use of industrial design; this phenomenon is a further proof of the need for individual businesses to stand out in this industry.

PRIMARY METALS

In Québec, the primary metals industry suffered the backlash of the depressed demand for automobiles, the drop in housing starts and the increase in the prices of raw materials. The economic downturn translated into a marked setback in shipments; after experiencing a 9.4% average annual growth rate between 1983 and 1989, shipments have declined 16% in 1990 (compared to the previous year for the first nine months). The Canadian primary metals industry has shown a similar decrease (15%).

Gross fixed capital formation has turned out to be important in 1990. According to the mid-year forecasts, Statistics Canada noted that capital expenditures gained 71% for a second consecutive year. In addition, the weakness of domestic and foreign markets combined with precautions taken to offset possible strikes in the sector resulted in the inflation of the average inventories/shipment ratio from 65.9% to 86.0% (comparison of the first nine months of 1990 and 1989).

The primary metals industry alone has been responsible for 30% of all capital expenditures in Québec. The performance forecasted for 1990 is remarkable, close to $2 billion dollars in capital expenditures. This is explained by the narrow margin of the unutilized production capacity of the industry. In the second quarter of 1990, the Canadian utilization rate of production capacity, slightly lower than in 1989, has remained close to the average of the last five years at 88.3%.

Projects of considerable size have contributed to the expansion of the primary metals industry in Québec, notably in the aluminum sector. They have bolstered the Québec/Canada capital expenditures ratio to 58.1% in 1990 from an average 40.7% in the eighties.

Five major aluminum projects are under way in Québec, totalling more than $4 billion in investments. Two of these projects are to increase the capacity of existing plants. In Bécancour, ABI invested $500 million for a third series of vats to be operational in November 1990; in Baie-Comeau, Reynolds plans to activate its first vats in February 1991 at a cost of $520 million. The three other projects are entirely new aluminum facilities. Alouette in Sept-Îles and Lauralco in Deschambault should start producing in 1992 (respective cost of the plants: $1.4 and $1 billion). In Laterrière, Alcan will operate at full capacity at the end of the first half (cost of the project: $850 million).

At the same time, Alcan is diversifying its production through a twin policy of research for new applications and recycling of industrial wastes.

Alcan, after investing $36 million in the construction of the Dubuc plant in Jonquière, proceeded with the first industrial castings of a new composite material, Duralcan. Made of aluminum and ceramic materials, Duralcan composites combine the lightness of aluminum and the strength, rigidity and resistance-to-wear of ceramics. In Jonquière, Alcan is further completing a project estimated at $52 million concerned with the production of super-white hydrate; this white oxidized powder is used in counter-making and has the appearance of marble.

In the interest of environmental protection, Alcan has made great efforts to recycle aluminum waste. The research centre of this Québec multinational has developed a new technology for the treatment of aluminum dross. The first successful casting at the Jonquière plant, constructed at a cost of $13 million, confirms the excellent recuperation properties of the process, extracting up to 95% of the aluminum remaining in the dross.

Alcan is thus reinforcing its position in a promising niche: recycled aluminum. The company acquired two Lachine firms specialized in the collection and recycling of aluminum cans, R. Johnson Management Services and Camco Recycling Services. These acquisitions, as well as others in Ontario and Vancouver, allow Alcan to control a collection and recycling network with an annual capacity of 2 billion cans.

In the processing of metal, Reynolds undertook the construction of its fourth aluminum rod-line plant; the construction of this plant, one of the largest in North America, will require the investment of $49 million in Bécancour.

The year 1990 has been a difficult one for the steel sector: lack of demand, especially for ferro-alloys, the challenging competition by American and Asian steel mills, production halted by a steelworkers' strike, and high interest rates have not favoured the launching of new investment projects. Sidbec-Dosco completed its $100 million modernization program started in 1987 in Montréal. QIT-Fer et Titane pursued its $120 million expansion project in Sorel. Stelco Steel in Contrecoeur also completed its $30 millionmodernization and expansion program; an additional $10 million investment has, however, been postponed indefinitely.

In the stainless steel sub-sector, the Korean group Sammi has acquired the manufacturing assets of Atlas Stainless Steel, a Rio Algom Division. The new owners are the sole producers of flat stainless steel products and envisage a modernization and expansion program for the facilities in Tracy.

The future of the steel industry relies upon new production technologies. A consortium of six Canadian industrialists has prepared the Bessemer Project with the intention of developing a strip-iron production process directly from liquid steel. Should this research project extending over several years be successful, the Canadian iron and steel industry will significantly increase its competitiveness while it designs an exportable technology.

In the field of magnesium, the Norwegian company Norsk-Hydro opened its new Bécancour installations. This plant cost approximately $600 million and has an annual capacity of 40,000 metric tons of primary magnesium. An extension of the present complex will refine metal for processing of magnesium waste into highly purified magnesium alloys; the project is estimated at $7 million.

The magnesium processing industry is focused on molded products, mainly automobile parts, and also components for aerospace and computers. Officially launched in September, the Institut de la technologie du magnésium is a unique research centre devoted to the development of new products and new applications of the metal. Automobile makers intend to reduce the weight of their vehicles and are extremely interested in the studies conducted at the Centre; they have expressed a willingness to participate in several of them. Nissan has already announced its involvement; Toyota, Mazda, Chrysler and General Motors could follow suit.

In the zinc sub-sector, the modernization of the Zinc Électrolytique du Canada plant in Valleyfield, started in 1988, is now complete; although annual capacity has not increased, the $120 million investment improved the competitiveness of the firm. In Pointe-Claire, Noranda began the $19 million extension of its Technological Centre. Finally, Dynacast, a zinc casting company, invested $5 million to modernize and relocate its installations from Lachine to Dorval.

FABRICATED METAL PRODUCTS

The growth of the Québec metal products industry has been at a standstill in 1990; comparing the first three quarters, shipments increased by only 0.5% between 1989 and 1990. During the 1983 to 1989 period, the average annual growth rate was 7.2%.

The slowdown in the growth of shipments is greater in Canada overall; Canadian shipments slipped back 1.4%, whereas they had registered an average annual growth rate slightly above 9% between 1983 and 1989.

Another sign of the slowdown in the industry is the Canadian rate of utilization of production capacity which slipped to 76.6% in the second quarter of 1990; it has hovered around 79% since 1985. The average inventories/shipments ratio maintained the upswing tendency begun in 1988.

The weakness of the residential and industrial construction market as well as the lack of demand for automobiles has affected the profitability of the firms; basic benefits in Canada have decreased by 18.3% and firms have been forced to cease operations.

The prevailing situation is not enticing to new investment projects. After a peak in 1987, capital expenditures have continued to decline; in 1990, they were $69 million, down 21%, only 62% of their level four years earlier. The Québec/Canada capital expenditures ratio slid for the third consecutive year: the level expected in 1990 was but 17.7%, down from 24.1% in 1987.

Sorevco, a limited partnership of Sidbec-Dosco and Dofasco, pursued the construction of a galvanizing plant in Coteau-du-Lac ($50 million). In addition, two new projects must be noted. Capitale Métal Recyclé, a firm specializing in the recycling of motor cars, will establish its plant in Saint-Augustin-de-Desmaures at a cost of $5 million. In Rimouski, the Coopérative des travailleurs en mécano-soudure is revitalizing the Sometal plant closed two years ago, a project was worth $2 million.

The Hibernia project in the energy sector and the new environmental guidelines concerning storage are likely to stimulate the demand for fabricated metal products in the years to come. Furthermore, the significant improvements in semi-automated equipment for cutting, molding and welding sheet metal, coupled with management of total quality, should help increase industry competitiveness.

MACHINERY (EXCEPT ELECTRICAL MACHINES)

After six years of uninterrupted growth, the machinery industry in Québec has suffered from the general 1990 slowdown in economic activity. While shipments had increased by 9.2% over the first nine months of 1989, they have grown by a more timid 5.0% in 1990. For almost a year, orders have been declining sharply, dropping 6.4%. The number of jobs has also declined, by 19% (data from the first eight months of 1989 and 1990). Inventories have varied little and the average Canadian ratio of inventories over shipments moved down from 58.3% in 1989 to 57.8% in the nine first months of 1990. The Canadian utilization rate of production capacity dropped to 69.0% in the second quarter of 1990 from 78.0% in 1989 and 82.4% in 1988.

Exports loaded in Québec had increased by 19.3% at mid-year. It is likely that foreign demand will sustain production regardless of weak domestic demand. In the opinion of experts, Québec machinery manufacturers could benefit from $200 to $300 million in added demand in the three years following the start-up of the Hibernia project.

According to mid-year Statistics Canada forecasts, capital expenditures will have maintained a growth rate of 15.3% in 1990 in spite of the uncertainty of the present economic situation. They would therefore top the record highs obtained in 1988 and 1989, and reach $174 million, 35.2% of all amounts invested nation-wide by the industry; in Québec, it is the highest proportion observed in the last twenty years. The efforts made in terms of modernization and the implementation of new production techniques have been reflected, in recent years, in the increase in the proportion of capital expenditures allotted to the purchase of equipment and machinery: the relative proportion was 55.0% in 1985, reaching 84.4% in 1990.

The machinery industry behaves differently from other manufacturing sectors in an economic downturn. Its particular quality as a manufacturer of production goods ties it more closely to the economic cycle of investments. Now, according to the mid-year forecasts of Statistics Canada, the cycle has not yet shown the significant drop similar to those witnessed for investments in 1982 and 1983.

The main capital expenditure project in the industry is the modernization of the Valmet-Dominion installations in Lachine at the cost of $46 million. In Pointe-Claire, Sulzer allotted $10 million toward the design and development of a gas compressor. Among the smaller scale programs, Les Produits de la Cité invested $5 million toward the design

and manufacturing in Thetford Mines of snow melting equipment.

TRANSPORTATION EQUIPMENT

The Québec transportation equipment industry has registered a drop in shipments of 4.2% in 1990 (compared to 1989, data from the first nine months). The slip is explained by a general weakness of demand for transportation equipment: motor and rail vehicles, aircraft engines, commercial and pleasure vessels, and defence equipment. This situation reverses the established trend, since the three previous years had registered shipments growing on an average of 9.2% annually.

In Canada as a whole, shipments dropped and production even more so (the series are down 1.9% and 2.2% respectively, when averages of the nine first months of 1990 and of 1989 are compared). As a result, inventories of transportation equipment slid 6.5% between January and September.

The Canadian utilization rate of production capacity also slipped down to 71.3% in the second quarter of 1990 from the 1989 average of 75.4%. It must be noted, however, that the rate has consistently declined in recent years, due to heavy investments in the automobile and aviation subsectors.

The transportation equipment industry showed a serious 27.5% decline in its exports in the first half of 1990, compared to a 3.1% gain for Canadian industry outside Québec. The situation is explained by the drop in automobile exports (61.6%), the latter due to the weakness of American demand (for road vehicles and parts, the drop was 50.5%). With the exception of aerospace (which gained 11.2%), other groups of products also registered severe downturns in exports: 26.2% in rail equipment, 15.1% in marine equipment and 30.7% in miscellaneous transportation equipment. Some caution is in order, however, when assessing export data at such a detailed level.

According to a Statistics Canada survey, the transportation industry employed 41,600 persons in Québec (average from the first eight months), down slightly from 1989 (1.5%). The drop was 6.2% in the rest of Canada. The Québec data did not take into account, however, either the temporary layoff of 2,000 workers at General Motors' Sainte-Thérèse plant, or the recent announcement that 1,000 to 1,200 jobs would be abolished as of January 1991 at Pratt & Whitney in Longueuil.

In its mid-year forecasts, Statistics Canada announced a 13.8% increase of capital expenditures in the sector in Québec, sharply contrasting with the 37% drop anticipated in the rest of Canada. The excellent performance of the Québec industry of transportation material has allowed Québec to improve its share of Canadian capital expenditures with a record high 26% in 1990, up from 16.3% in 1989.

The economic outlook for aerospace is good. The vitality of the aerospace market has prompted Pratt & Whitney to engage in a modernization and expansion program of its facilities on the south shore of Montréal, a pluriannual project with a total cost of $300 million. Expenditures will carry on until 1992. Canadair is pursuing its investment program toward the construction of a jet aircraft for the regional transportation market ($275 million over three years). Bombardier acquired the Irish firm Shorts Brothers and again in 1990 acquired Learjet in the United States, thus eliminating another foreign competitor in the market of regional jet aircraft. Bell Helicopter is continuing its progression: a fifth commercial model will be added to the range of aircraft constructed in Québec. The Mirabel plant today produces one third of all commercial helicopters sold worldwide, and exports 95% of its production to the United States and to Japan.

There are new investment projects in the aerospace industry: the extension of the Rolls-Royce plant in Lachine ($9 million), the implementation of Dowty's landing systems plant in Mirabel ($89.4 million) and Canadair's $30 million compound for the maintenance of F-18 defence aircraft.

The situation is significantly less favourable for the road vehicles and parts industry, where investment projects have been postponed. In addition, the outlook for expansion in the public transportation sector and in marine construction are rather limited in Québec. They depend essentially on government contracts. In this perspective, possible development opportunities are concentrated on the fast train project for the Québec-Windsor corridor and the contracts related to the Hibernia project for the marine construction site in Lauzon. It should be noted that Québec public transportation organizations have ordered 325 urban buses for 1991 and 1992. Finally, Bombardier has invested $10.1 million in La Pocatière to extend the plant and modernize machinery and equipment; this project is related to the construction of the Eurotunnel commuter cars, a contract with economic returns of $200 million for Québec.

The pleasure boat industry is going through extremely difficult times, with a string of bankruptcies and plant closures among the major firms. Most of the firms still in operation have to face weak demand for their products and significant financial problems.

Business activity is slow in the railway equipment industry. Exports are restrained by the high value of the Canadian currency vis-à-vis the American dollar. Part and component manufacturers must concentrate on competitiveness, in view of the impending dismantling of tariff protection, which will be gone at the beginning of 1993.

ELECTRICAL AND ELECTRONIC PRODUCTS

The Québec industry of electrical and electronic products grew strongly for three consecutive years, but production dropped 3.8% between 1989 and 1990 (comparison of the first nine months). The Canadian industry has followed a similar course. The softening of the Canadian market has been more instrumental in this reversal than the evolution of the foreign market. It concerns electrical products that are not generally exported rather than internationally traded electronic products. The significant drop in residential construction and consumer pessimism are factors closely associated with the decrease in electrical product sales.

The Canadian utilization rate of production capacity has receded progressively. Above the 90% mark in recent years, it has been 84% in the second quarter of 1990. Nevertheless, investment programs are actively pursued, an obvious sign that the industry is adjusting to long term perspectives. Capital expenditures forecasted by Statistics Canada at mid-year for 1990 stand at some $213 million; 1989 had proved to be the best performance in the eighties, yet mid-year forecasts for 1990 show a 25% increase over 1989. Another obvious sign of health is the fact that the investments made in Québec account for one third of capital expenditures made in Canada.

Investments have flourished in the electronic products sector. IBM is actively pursuing the $135 million capital expenditure program started in 1989; the program is mainly to upgrade production equipment and control processes. Mitel launched a $50 million program to improve production equipment in order to manufacture a new generation of integrated circuits. Philips pursued its $50 million equipment acquisition and product development program. Circo Craft's four-year investment program, estimated at $40 million, entered its second year; the program includes the expansion of plants, the improvement of production capacity and the development of the firm's products. CAE once again expanded its facilities; capital expenditures for the 1989-1991 period are $33 million. Northern Telecom completed a $60 million investment at the Saint-Laurent plant and announced improvements worth $6 million at its Lachine factory. Marconi invested $21 million in the development of defence equipment and the modernization of its Montréal plant. CMAC and Leviton invested $5 to $8 million in their respective facilities toward construction, extension, and the modernization of equipment.

During the year, three new investment programs were announced by Harris Farinon, AT&T, and Sun Micro System, all specifically in R & D. The first, a three-year $22 million program, concerns the development of four radio communications products; the second, worth $10 million, is the establishment of a software research centre in Montréal over the next five years; the third, also in Montréal, is the creation of another $5 million software research centre. Digital Equipment of Canada inaugurated its $8 million technological assistance centre for users in Hull.

Investment projects in the electrical products sector are generally of lesser scope. Camco completed its $30 million modernization program at the Montréal household appliances plant, while Inglis engaged in its own $15 million venture in Montmagny. ABB carried out two projects simultaneously: the implementation of a plant for internal fuse capacitors and transformers in Québec City ($13 million), and the extension of production capacity at the Saint-Jean-sur-Richelieu plant ($5 million). GTE Sylvanian has begun a modernization program of the Anjou fluorescent lighting fixtures plant ($3 million). Finally, Cegelec carried out various investment projects worth $3 million at its LaPrairie facility.

These investments are closely associated with the continuing efforts toward rationalization evident in North American and international industry. The rationalization strategy also includes the sale and acquisition of firms, plant shutdowns, the establishment of strategic alliances, and the obtaining of North American or international production mandates.

In this respect, the following transactions are worthy of notice: the buy-out of the Canadian manufacturer of electrical equipment, Federal Pioneer, by the European group Schneider; the buy-out of Tie Communications by CMAC, a Québec firm; the acquisition of the liquidated assets of Leigh Instruments in Ottawa, by Spar Aerospace; the acquisition of York Lighting Fixtures by NSI, an American company; the acquisition of the Comterm plant by the Canadian firm Compass; and the buy-out intentions of Northern Telecom over the British company STC. Some plants have closed down, such as the Canadian General Electric light bulb plant, the Leviton electrical equipment plant, and Marconi's integrated circuits division, all four in Montréal. The North American consolidation of certain foreign firms also concerns the buying back of shares in circulation of Canadian subsidiaries, namely Inglis and Canadian General Electric.

Short and medium-term perspectives for the Québec electrical and electronic products industry are intimately related to the evolution of the Canadian economic situation, especially the construction sector, the global context and the strength of the Canadian currency. Manufacturers of electronic products will fare better than electrical manufacturers, especially if defence equipment manufacturers succeed in their efforts to diversify into civil products. The manufacturers of industrial electric equipment will benefit from the improvements to the Hydro-Québec distribution network and the resumption of the James Bay large scale projects.

NON-METALLIC MINERAL PRODUCTS

Hindered by the marked downturn in construction activities, the Québec non-metallic mineral products industry registered a drop in production. Shipments decreased by 7.0% (data from the first nine months of 1989 and 1990). The situation contrasts with the sustained rate of growth observed on average between 1983 and 1989 (7.7%).

Weakness in demand and a one-third drop in the gross earnings of businesses entailed cuts in personnel in the short term; a Statistics Canada survey indicated that the number of wage earners declined 16.3% in the first eight months of 1990, compared with the same period of 1989. The Canadian utilization of production capacity fell from an average of 85.2% in 1989 to 80.3% in the second quarter of 1990.

In spite of difficult circumstances, investment efforts haveremained exceptionally high in 1990. At a level of $193 million, capital expenditures have never been so high. Their growth rate, 50%, is well above the 20% average annual rate of increase which was the norm from 1983 to 1989. The relative share of Québec in capital expenditure is thus on the rise; with a Québec/Canada ratio of 31.9%, it has never been so high in at least 20 years.

Several significant projects, either announced or under way, account for this push in capital expenditure. Graybec's Domlin division completed a $13 million expansion program doubling the production capacity at the Saint-Adolphe-de-Dudswell limestone plant, while the Jolichaux division was modernized in Joliette at a cost of $1.5 million. Arriscraft will build a second top-of-the-line lime and silicon masonry plant in Saint-Étienne-des-Grès, an $11 million project. In Grondines, Ciment Québec obtained a construction permit for a $7.5 million concrete and agricultural lime plant. PPB will spend $7 million for the construction of a pre-stressed concrete structural element plant in Terrebonne. Construction Louisbourg invested more than $30 million in new pre-stressed concrete piping facilities in Saint-Eustache. Produits Alba allotted $3 million toward the extension of its calcite construction brick and block factory in Mistassini. Brique Citadelle plans to construct a new plant in Bécancour, an investment in excess of $20 million. Dolo-Mines built a $3 million unit for the production of quicklime and limewash in Saint-Bruno-de-Guigues. The construction of the $18 million Granirex tile plant continued in Thetford Mines. And, finally, the extension project at the Béton Bolduc installations in Sainte-Marie is estimated at $2 million. Most of these projects included implementation of new technologies, modernization and the diversification of production. They have made a significant contribution to the improvement of the North American competitiveness of Québec industry.

In 1990, production start-up took place at the Glaverbec flat glass plant constructed by the Belgian firm in Saint-Augustin-de-Desmaures, at a total cost of $150 million. In Sainte-Clothilde, production resumed at Beauce Fibre de Verre after the $3 million reconstruction, while a granite tile plant, worth $4.5 million and belonging to Tulinor, was inaugurated in Grandes-Bergeronnes.

The development of different graphite deposits in Québec required important investments: for Fermont, Mazarin estimates the required capital expenditures at $27 million; in Saint-Aimé-du-Lac-des-Îles, the construction of a modular concentrator called for the spending of $14 million by Graphicor and, since 1987, $31 million by Stratmin. Renowned for its superior quality, Québec graphite flakes are a choice material for multiple-uses: defence, aerospace, and medical. It is also included in the production of fire bricks and automobile brakes. The numerous market opportunities offer interesting growth perspectives.

NON-DURABLE GOODS

FOOD AND BEVERAGES

In 1990, for the first time since 1986, the Québec food industry progressed at a much better pace than the manufacturing sector overall. Indeed, from 1986 to 1989, the average annual growth in shipments had been negative (0.5% drop in value). Comparing the first nine months of 1989 and 1990, however, Québec food shipments increased by 5.9%. This performance also bested that of Canadian food shipments which increased only 3.1% in 1990 (2.3% with Québec excluded; data from the first nine months).

From January to September, Canadian food inventories rose by 16.2% in Canada. This variation by far exceeds the corresponding 1989 figure. Swelling stocks explain why the 3.7% growth increase in production was steeper than the rise in shipments (data from the first nine months).

The Québec beverages industry has also progressed at a more favourable pace than that of the Québec manufacturing sector as a whole, yet not as briskly as the food sector. While the average annual growth of beverages shipments was 3.9% between 1986 and 1989, they have risen only 1.5% in 1990 (data from the first nine months). However weak, such growth is a better result than the 2.1% drop experienced by the Canadian industry on the same basis (the drop is 3.3% when Québec shipments are excluded).

Canadian inventories have increased by 7.1% from January to September. Growth in these inventories had been more vigorous in 1989. Consequently, production in

Canada has decreased by 2.5% (comparison of 1990 and 1989 over the first nine months of each year).

According to a Statistics Canada survey, the food and beverages industry in Québec provided employment to 55,470 workers in 1990, up a slight 0.4%. Outside Québec, the Canadian industry registered a loss of more than 10,300 jobs, down 5.6% (data from the first eight months).

Québec firms performed very well on foreign markets, increasing their food exports by 9.9% (from the first half of 1989 to the first half of 1990), while gains were limited to 4% for the Canadian industry outside Québec. The significant growth of Québec exports is mainly due to foreign sales in two sub-sectors: live cattle and meat (with a 23.4% advance), milk products, eggs and honey (with a 42.1% advance). Conversely, exports of fishery products dropped 13.2% over the same period.

The beverages industry was not as successful in its foreign sales. Exports declined 13.1% (from the first half of 1989 to the first half of 1990), while the Canadian industry outside Québec gained 58.2%. Whisky exports, down 37% in Québec and up 111.5% elsewhere in Canada, largely explain this situation. Conversely, exports of soft drinks, wine and beer, sluggish elsewhere in Canada, were up 13% in Québec.

The mid-year forecasts by Statistics Canada concerning capital expenditures in the food and beverages industry indicated weakening investment, with a 4.9% decrease in Québec and a 9.1% drop in Canada outside Québec. Québec was thus able to improve its share in Canadian capital expenditures from 22.8% in 1989 to 23.6% in 1990. It must be noted that capital expenditures in the Québec food and beverages industry peaked in 1988 and 1989.

Among noteworthy projects, announced or under way, in the food sector, one must note the Montréal-Est Christie-Nabisco modernization and expansion program, with a total bill of $50 million. In Saint-Romuald, the animal feed plant of the Coopérative Fédérée du Québec will benefit from a $10 million spending plan. Delta Daily Foods is setting up its ready-to-serve products facility in Rigaud, also for $10 million. Borden invested $20 million in a modernization and capacity improvement program at the Montréal Catelli plant. In Longueuil, Weston completed the construction of its new, state-of-the-art bakery costing $47 million.

In the beverages sector, breweries stand out for the second year in a row. The three-year $80 million investment program set forth by Molson-O'Keefe was pursued with the establishment of a sorting centre in Boucherville and an administrative centre in Québec City worth $26 and $4 million respectively. Labatt Breweries announced the establishment of a distribution centre in Joliette, a $1.2 million project, and also pursued its three-year modernization and expansion program at the LaSalle facilities, a project estimated at $90 million.

TOBACCO

The downward trend affecting the tobacco industry continued in 1990. Employment kept shrinking and Canadian shipments gained a slim 0.5% (data from the first nine months). Shipments have dropped 25% since 1981, expressed in current dollars. The Canadian utilization rate of production capacity, which had made exceptional gains above the 70% mark in 1988 and 1989, fell back to 65.6% in the second quarter of 1990.

The Québec and Canadian markets for tobacco have gone through a well-known readjustment. Sales of cigarettes in Canada dropped by 28% between 1981 and 1989. In the first half of 1990, cigarette sales in Canada dipped a further 7.4% compared to the first half of 1989. The only driving force likely to bolster demand remains the foreign market; export performance improved in the first half of 1990, after somewhat unequal results in 1989. Profitability remained excellent in the sector, thanks to a more profit-oriented price policy, a tighter control of raw material costs, and intensive use of aggressive promotion programs.

Government policies aimed at curbing tobacco consumption will continue to affect the level of activity in the industry on a long-term basis. The $4 federal tax increase on each carton of cigarettes, announced in the fall of 1989, made itself felt in terms of reduced consumption. Moreover, a Bill under study would reinforce existing regulation on tobacco marketing, forcing manufacturers to add a warning notice covering one third of the surface of a pack of cigarettes.

The industry is not expected to engage in massive capital expenditures. Manufacturers will rather put their efforts toward promotion activities, and the conquest of foreign markets. The newly accessible Eastern European economies, as well as Asia, are interesting targets given the high rate of tobacco use in these countries.

RUBBER PRODUCTS

The health of the rubber products industry is closely linked to three factors: the price of petroleum, economic conditions in the automobile industry, and purchases of industrial rubber products by other industries. With the general downturn which characterized manufacturing activities in 1990, a decline of all major economic indicators in the rubber products industry was to be expected.

Canadian shipments of rubber products recorded an average drop of 2.6% in 1990 (data from the first nine months; Québec data are not available). Finished goods inventories increased by 10.3% in Canada, and the average inventory-to-shipments ratio followed an upward trend, at a rate exceeding that of the overall manufacturing industry. As a result, new cuts in production can be expected to prevent inventories from overswelling.

In Québec, there were layoffs in the tire sector in 1990, and shutdowns in the industrial products sector. Brought about by strong international competition, the shutdown of Goodyear's manufacturing department for truck tires in Valleyfield involved 360 jobs. It added to 530 temporary layoffs among workers producing tires for specific automobile vehicles. The Persian Gulf crisis and the weakness in demand in the automobile industry made the latter cutback in personnel unavoidable. It may last four to six months. There is a possibility that employees may be recalled in the first months of 1991. More over, Camoplast in Kingsbury and Permaflex in Montréal have closed down and relocated outside of Québec, due to a rationalization of their operations; 245 workers have lost their job with the former, 60 with the latter.

Another pertinent indicator of actual economic activity within firms is the Canadian production capacity utilization rate. It dropped down to 85.1% in the second quarter of 1990; during the past three years, it remained close to 94% on the average.

Difficulties in the rubber industry really are a world problem. Indeed, during recent years, merging has a trend among large manufacturers, with the appearance of true industrial giants such as Bridgestone-Firestone, and Michelin-Uniroyal-Goodrich. To proceed with the necessary takeovers, these groups have gone into debt on a large scale without really increasing their productivity.

In Québec, however, the tire industry has just experienced an intense investment phase, especially with the large-scale Bridgestone-Firestone project at the Joliette plant. Also noteworthy is the decision by Michelin to start building a distribution centre in Boisbriand, at a cost estimated at $20 million. Apart from these projects, few investment programs are in the news. New environmental concerns, however, have stimulated R & D initiatives over the last few years. They aim at developing new techniques to eliminate or recover used tires while designing products providing interesting commercial prospects. Concerns over such fires as those in Hagersville, Ontario, and Saint-Amable, Québec, have brought new urgency to the longstanding desire of public authorities to settle these environmental issues. More than twenty recycling projects are presently being prepared. The retreading sector has entered a rationalization phase, with larger manufacturers getting involved in the field.

PLASTIC PRODUCTS

After three years of slowing growth, the Québec plastic industry experienced a 3.9% drop in its shipments in 1990 (data from the first nine months). Three sectors are major buyers of plastic products: packaging, construction, and transportation equipment. All of them displayed great sensitivity to the general downturn in economic activity. The decline in demand turned out to be widespread for the plastic products industry. Exports also exhibited signs of weakening and there was a major bankruptcy in the sector.

The slump in demand translated into a lower production capacity utilization rate, which went down from an average of 86.7% in 1988 to a low level of 72.0% during the second quarter of 1990. One would have to go back fifteen years to find such a low rate.

The modest size of existing investment projects, either announced or already in progress, well illustrates the difficulties facing manufacturers. As a clear witness to the new importance given to ecological considerations, two projects involve post-consumption recycling: Pélo-Plastique in Berthierville ($5 million) and Cascades-Replast in Drummondville ($0.5 million). The setting up of the Vifan polypropylene film facilities in Lanoraie was the largest project in the industry with capital expenditures expected to reach $30 million. In the same sub-sector of plastic film producers, Desmarais et Frères invested $4.5 million in Longueuil. Also noteworthy are the projects of Twinpak in Montréal ($8 million to enhance bottle production capacity), Profilés Extruco in Jonquière ($2.7 million), and Plastique Prospect in Drummondville ($1 million in equipment acquisition).

The growing internationalization of trade has its impacts on the industry. The Free Trade Agreement allowed for a decrease in the price paid by Québec processing firms for resins. Furthermore, through a sale of 20% of its shares, IPL in Saint-Damien-de-Bellechasse has united with the German firm Otto, a very active international industrial group involved in all aspects of waste management.

In the medium term, internationalization should allow the industry to cope with growing saturation of the domestic market. Thanks to a never-ending stream of new product applications, the industry grew at an average yearly rate of 12% between 1983 and 1989, a figure greatly exceeding Québec manufacturing growth. This period of strong natural expansion in the industry seems to have come to an end, quite apart from the present downturn in business conditions. In Canada, the most significant market breakthroughs belong to the past and growth of domestic sales from now on should not be very different from that of global industrial production.

The requirements of better environmental protection will be increasingly important for plastic producers. A major event has marked 1990 in this respect. The Canadian Council of Environment Ministers adopted a national packaging protocol in March. It aims at reducing by 50%, within ten years, the quantity of waste conveyed to landfill sites. A voluntary, 10% reduction every two years would bring this about. The program, which covers all packaging materials, advocates reduction in production, multiple use and recycling. It is still difficult to evaluate the global impact such a protocol will have. Québec firms, however, will benefit from rapid action to comply with its objectives. In this context, recycling initiatives will become increasingly important.

LEATHER

Following two years of consecutive growth (8.5% in 1988 and 1.8% in 1989), Québec shipments dropped 6.4% in 1990 (data from the first nine months). Inventories accumulated. The capacity utilization rate decreased to 73.5% in the second quarter, compared to 78.6% at the end of 1989; such a low rate had not be seen in more than twenty years.

According to mid-year forecasts by Statistics Canada, capital expenditures would increase by 58% in Québec in 1990, making up for the 42% loss in 1989. This increase, which would bring capital expenditures to $5.2 million, is specific to Québec industry, so that the Québec/Canada ratio on that count has shot up from an average of 22% in the eighties to 49% in 1990.

In Saint-Pascal-de-Kamouraska, the Tannerie des Ruisseaux examined a $6 million project, while in Saint-Émile, the Alfred Cloutier Company invested $1.95 million in the expansion and modernization of its facilities. Also in Saint-Émile, Chaussures Henri-Pierre has acquired a portion of the assets of Chaussures Bastien.

The lifting of remaining import quotas in 1988 has sent the industry looking for ways to solve its structural difficulties. Manufacturers have entered a reorganizing process, with increased specialization in certain market segments, especially winter boots. Moreover, in May 1990, the Canadian Foreign Trade Tribunal made its decision public concerning various categories of women's shoes imported from Brazil, China, Taiwan, Poland, Rumania and Yugoslavia. This important ruling resulted in the imposition of rather high anti-dumping duties on all imports of women's shoes from these countries; Brazil was also hit with a countervailing duty. Such a ruling is an encouragement to investment in Québec, where firms specializing in this market segment are more numerous than elsewhere in Canada. Growth perspectives, however, be it for women's shoes or for shoes in general, may have to be revised given the probable consequences of the sales tax reforms.

PRIMARY TEXTILES AND TEXTILE PRODUCTS

After recording appreciable gains in 1987 and 1988 and a close to 5% drop in 1989, textile industry shipments in Québec experienced a 9.2% reduction in the first nine months of 1990.

This decline in shipments is mostly concentrated in the primary textiles sector, which experienced a 16.9% drop (6.4% in Canada, data from the first nine months). Shipments of textile products were more stable, both in Québec (down 1.6%) and in Canada (down 3.7%). The stagnation of shipments went together with higher inventories and a decline in the production capacity utilization rate.

According to mid-year forecasts by Statistics Canada, capital expenditures would increase by 15.7% in Québec, to reach an unequalled $107 million mark. The increase in Canada as a whole would be even steeper, 45.6%. Therefore, the Québec/Canada ratio dropped to 28.8%, bringing the Québec industry further away from the position it enjoyed in the early eighties, at a time when it was responsible for more than half of total Canadian capital expenditures.

Among existing projects, either announced or in progress, two major modernization programs are noteworthy. One is being conducted by Dominion Textile at both at its denim mills in Drummondville and at its facilities for fabric uplifting in Saint-Timothée ($25 million). The other was initiated by the Hafner group at its four Granby plants ($31 million). Many projects of lesser scope are to be found in the industry: the conversion of Tissage Domil into Filature King in Sherbrooke ($6.7 million), the expansion of Texel in Saint-Elzéar ($4.1 million), and the equipment acquisition of Consoltex in Montmagny ($1 million). Besides, T.C.Textile is still assessing the viability of a denim plant for its $20 million investment in Shawinigan. Domtex did not announce any major investment project in 1990. After acquiring a number of firms in the United States and in Europe to meet the challenge of increasing market internationalization, the company has decentralized its management and proceeded with a number of layoffs at its Montréal head office.

The relative weakness of shipments and investments in the primary textiles industry in Québec can be explained by a greater specialization in conventional clothing and furniture textiles. In recent years, Canadian commercial policy has not encouraged the production of thread and clothing fabrics. Thus, to enhance competitiveness in the clothing

industry under the Free Trade Agreement, the Federal Government announced, on March 22, 1988, a three-stage tariff reduction program for textiles: abolishment or reduction of tariffs on thirteen special fabrics, reimbursement of the duty paid by industry entrepreneurs on certain imported textile or clothing products, and alignment with the United States in matters of most favoured nation (MFN) tariffs.

The first two stages of the program took effect in steps in 1988 and 1989. Concerning the third phase, the Federal Government is awaiting the conclusion of the Uruguay round before reaching a decision regarding the extent to which and the manner in which the recommendations of the Canadian Foreign Trade Tribunal concerning the harmonization of tariffs with the United States would be put into effect (this tribunal had recommended an average 26% reduction of Canadian MFN tariffs on textiles).

An arrangement may be reached in the current negotiations in Geneva on the gradual dismantling of the Multifibre Agreement (quantitative restrictions applying to the imports of textile and clothing products from countries with low wages). They are likely to be detrimental to the local production of clothing fabrics. Overall, however, the textile products industry enjoys better development perspectives, given production diversification and the continuous emergence of new industrial markets.

CLOTHING

Since 1986, shipments of the Québec clothing industry had maintained a rather steady growth (8.5% in 1986, 6.4% in 1987, 1.4% in 1988 and 5.1% in 1989). In 1990, however, these shipments have dropped slightly (1.1%, data from the first nine months). This reversal in trend goes together with a reduction in the capacity utilization rate and a surge in inventories. The outlook for 1991 must take into account the likely effects of the sales tax reforms.

Various segments of the industry have faced rather different situations. Thus, in the men's clothing sub-sector, the demand for suits and jackets increased while the demand for jeans diminished. In the women's clothing sub-sector, undergarments and sports clothes recorded a drop in demand as opposed to most outer garments. The strength of the Canadian dollar in relation to the American currency, coupled with anti-fur campaigns and regulations in Europe, have greatly curbed Québec fur exports. Overall, 1990 clothing exports in Québec have declined 7% over 1989 (data from the first six months).

In its mid-year forecasts of capital expenditures, Statistics Canada announced a brutal reversal of the recent upward trend, with a 33% downturn in capital expenditures in 1990. The proportion of Québec clothing projects in Canadian capital expenditures continues to decrease; it reached the 43% mark in 1990 after having maintained an average of 52.5% since 1985.

The Société Joseph Ribkoff invested $8 million in Montréal for the construction of a three-story building. Mention should also be made of the modernization program of Katescorp in Montréal ($1.7 million). In Saint-Augustin-de-Desmaures, the clothing manufacturer, Vêtements Louis Garneau acquired CAD/CAM systems; this type of system is being introduced more and more in Québec men's clothing industry. In the fur finishing business, the merging of Maranda et Labrecque (Québec) with Splendor (Montréal) and Reliable (Toronto) allows the firm thus created to process roughly 50% of the Canadian shipments of finished furs.

The deficit of the Canadian trade balance in clothing remained high. Bilateral quotas negotiated under the Multifibre Agreement fostered some stability in domestic production. Moreover, the eventual harmonization with the United States of customs tariffs on textiles should bolster the competitiveness of the industry under the Free Trade Agreement.

Long-term perspectives for the industry remain, however, uncertain. The current GATT negotiations focus on, among other things, the gradual elimination of the system of bilateral agreements to restrict imports from countries with low production costs, and on the reduction of the most privileged nation tariffs in the clothing industry. If these negotiations lead to concrete results, such as the dismantlement of the Multifibre Agreement and the reduction in the most privileged nation tariffs, competition coming from Europe and from countries with low production costs would become very stiff. Such changes, however, could not be implemented without a ten-year transition period. Moreover, the possible establishment of programs for passive betterment of fabrics abroad (assembly) adds yet another source of uncertainty for some clothing activities in Québec.

The industry could therefore be forced to focus its development on the manufacturing of specialized clothing, or on clothing with a strong distinctive content. In this perspective, the opening of the American market in the wake of the Free Trade Agreement should facilitate the industry's adjustment to the internationalization of markets. A number of leaders in the Québec industry have tailored their development plans accordingly, expanding and modernizing their production facilities. Some firms have even purchased American distribution networks.

PAPER

The paper industry experienced very prosperous years between 1986 and 1988. The sector's economic cycle re-

versed in the summer of 1989, and the outlook for 1990 then seemed rather bleak. Expectations were confirmed and the industry in 1990 could neither escape the shortages in demand brought about by the downturn in the general economic situation, nor the overcapacity arising from the recent boom in investment which years of prosperity generated in the industry. Companies also had to face the consequences of a rising Canadian dollar and to confront a series of strikes.

Public opinion and legislators exerted growing pressure towards better environmental protection. This long-run readjustment compounded short run cyclical difficulties, and added a new challenge to the pulp and paper industry at a time when the financial reserves of companies may not necessarily be overabundant.

Shipments experienced a 10.4% decline in Québec in 1990 (comparison from the first nine months of 1990 and 1989), a sharp change from previous years, when they enjoyed an annual growth hovering around 8.2% and 9.8% between 1986 and 1989; exports were down 3.1% while imports were up 4.3% (comparison of the first six months of 1990 and 1989). The rather significant increase in the inventory-to-shipments ratio is mainly due to the safety stock accumulated in anticipation of strikes which affected the industry during the summer.

According to a Statistics Canada survey, the industry lost 4% of its employment in Québec in 1990 (comparison with the first eight months of 1989). Capital expenditures dropped by 16.9% in Québec, which is hardly surprising; the Canadian capacity utilization rate went from 92.1% to 86.8% between 1989 and 1990 (comparison of second quarter data). The downward trend, however, is clearer in Québec than in Canada, so that the Québec/Canada capital expenditure ratio, set at 52.6% in 1986, has gradually diminished to reach 26.4% in 1990. The preponderance of newsprint plants in Québec is not unrelated to this phenomenon; the decline in demand had been felt sooner in this sector of the industry.

The profits of Canadian pulp and paper companies have declined by 41.3% in 1990 (comparison with the first six months on 1989); a sharper drop was experienced in only one sector, primary metals. To find a comparable loss in manufacturing profits in the past, whatever the industry, one must go back to 1982. The high rates of exchange of the Canadian dollar were very costly to an industry which exported 75% of its production, and 85% of that to the United States. According to the industry, each cent added to the value of the dollar translated into a $50 million loss for pulp and paper companies.

The products which were most affected by the reduction of demand in 1990 were paper pulp and newsprint. These two segments of the industry have traditionally been important in Canada, and especially in Québec. The price of pulp fell to $800 U.S. per ton in July and the industry estimated that Canadian sales would drop by 20% over the entire year. The paper situation, rather gloomy since 1989 given the reductions in American advertising expenditures, experienced a slight revival during the summer; a price increase was even recorded. In this case, however, purchases of safety stocks linked to impending labour disputes must be taken into consideration.

The current interest in recycled paper is in the process of redefining demand. The significance of this trend, already noted in 1989, was confirmed in 1990. The industry still has not truly committed itself with respect to the location of its new plants. The sources of supply of recycled paper are located near the large consumption centres, therefore primarily in the United States; some even see a disguised commercial warfare in the numerous new local American pieces of legislation requiring the use of recycled paper.

Among the newspaper de-inking projects in Québec, it is worth mentioning those of Canadian Pacific Forest Products in Gatineau ($100 million), Daishowa Forest Products in Québec ($56 million), and Kruger in Bromptonville ($55 million); these projects should be initiated in 1991. Désencrage Orford and Donohue-MacLaren are also considering the establishment of de-inking plants in Québec. Abitibi-Price, however, has announced its intention to build its new de-inking plants outside of Canada. Recycling is already well established in the production of cardboard and bathroom tissue.

A major development in 1991 will be the preparation of federal and provincial legislation for the pulp and paper industry. It involves strict measures aimed at assuring better protection of the environment during the paper manufacturing process; firms will have until 1993, and even until 1995, to comply with the new regulations. The total cost of the operation should be in excess of $1 billion for the companies.

De-inking plants and anti-pollution equipment should account for a significant portion of investments in the industry in the years to come. New capital expenditure projects concerning the processing of virgin ligneous matter, on the other hand, have grown scarcer when compared to recent years. The Franco-Ontarian group Malette and government-owned Rexfor invested $125 million in the revival of Papiers Saint-Raymond. This amount will be used for the modernization of the facilities and for the installation of basins used in the treatment of waste water; the firm intends to concentrate on the production of specialty paper.

Older projects to process virgin ligneous matter are still being implemented. Among those scheduled to be completed in 1990, are Donohue in Matane ($317 million), Stone Consolidated in Grand-Mère ($280 million) and in

Shawinigan ($57 million), Temboard in Témiscaming ($270 million), MacLaren in Thurso ($168 million in 1990) and the Q and O Company in Baie-Comeau ($130 million). The Kruger project in Trois-Rivières ($280 million) will be completed in 1991, and the same will be true work at Uniboard in Drummondville ($80 million) and at Papiers Perkins in Candiac ($45 million).

PRINTING AND PUBLISHING

Begun in 1989, the slowdown has continued in the industry in 1990. After nine months, manufacturing shipments had dropped by 3.7%, compared to the same period in 1989. In Canada as a whole, shipments tend to be stagnating. The Québec downturn was also felt in employment. In the context, the production capacity utilization rate experienced its tenth consecutive quarterly drop. In 1985 and 1986, this rate exceeded 90%; in the second quarter of 1990, it only reached 74.8%.

The printing and publishing industry, closely tied to the overall economy, has followed the evolution of the general economic conditions. The downturn in economic condition was especially felt in the drop of advertising expenditures by firms faced with a reduction of profits in a number of sectors. The downward adjustments of advertising budgets curtailed the revenues of the publishers of periodicals (newspapers, newsletters and magazines) and, consequently, caused a drop in profits and employment in the printing and publishing industry. Certain advertising expenditures may, however, be redirected towards shorter term advertising efforts (personalized advertising, rebate coupons, etc.).

In 1990, the downturn in domestic demand was compounded by that of the American market. For the second year in a row, exports decreased while imports kept progressing. According to some analysts, this reflects growing international competition.

Few significant capital expenditures were reported in 1990. After a close to 7% drop in 1989, investments regressed by 13.7% according to mid-year forecasts by Statistics Canada. The industry, however, further extended the computerization of its equipment, especially in the preparation phase. Firms, for instance, resorted more and more to digital colour separation equipment. These investments, while not really as massive as the acquisition of new presses would be, made significant contributions to productivity increases. Their impact on the labour force is twofold: personnel needs are much lower, and required qualifications are greatly changed. In this respect, many printers were confronted with hiring and training problems.

In 1991, both the federal and provincial sales tax reforms may prove to be of consequence to the industry. Books will partly escape these effects for two reasons. On the one hand, provincial compensation will offset the Québec tax. On the other hand, the school book segment, representing close to 40% of the Québec book production, could be less affected by the federal tax given the incompressibility of demand and the federal rebate for the purchases of educational institutions.

REFINED PETROLEUM AND COAL PRODUCTS

Following a remarkable downturn, the Québec industry of refined petroleum products gained from the evolution of international crude oil prices in the eighties and has found a new vitality. After nine months in 1990, the upswing in shipments reached 21% (compared with the corresponding 1989 data). It is true that the shipments by volume dropped slightly, due to the decrease in consumption of light fuel oil and diesel (respectively 8% and 5% decreases, data from the first seven months). However, demand for high-octane gasoline enjoyed exceptional growth, due to the termination of Hydro-Québec's sales program of surplus electricity in the industrial sector, and to the reopening of the Tracy thermal power station.

The second half of the year raised the issue of the possible impact of the Persian Gulf crisis, through the recent petroleum price increases brought about by the many uncertainties related to the international situation. The existence of significant production capacities outside of Iraq and Kuwait, which could be brought to use in the medium term, should not be forgotten. Furthermore, it should be pointed out that the industry, at the outset of the crisis, had the highest production capacity utilization rate of all Canadian industries (data from the second quarter of 1990).

Québec production is mainly sold to the domestic market. Despite a certain sluggishness in the demand for refined products, import of inputs has increased by 13% in value while exports decreased by 12% (comparison of the first semesters of 1989 and 1990). Such minor variations are not of the type to create an imbalance in the local market.

At $164 million, capital expenditures of the industry in Québec once again reached a record level in 1990, according to the mid-year forecasts of Statistics Canada: a 3.5% increase compared to 1989. The most significant investment occurred in Saint-Romuald, where Ultramar spent $99 million to increase the production capacity of its refinery from 103,000 to 120,000 barrels per day; the project also made enhanced control of manufacturing processes possible, as well as contributing to an increase in the quality of the finished product.

Capital expenditures carried out during the last few years have allowed the industry to offer consumers in Québec a

quality of fuel and equivalent to that of leaded gasoline, while meeting existing environmental regulations. The encouraging perspectives on the demand side, especially in the case of unleaded fuel and the gradual elimination until 1993 of the Québec 1% tax on capital, already softened by a tax exemption program, are two major stimulations for investment plans in the industry.

Moreover, the industry is currently making new adjustments dealing with its supply in crude oil, to meet new environmental standards decreed by the Government of Québec. The new standards reduce the maximum sulphur content permitted in high-octane gasoline from 2.5% to 2%. Finally, the purchase by Esso of Texaco's assets has led to a rationalization of the operations of the industry in Québec, at the price of some layoffs.

CHEMICAL PRODUCTS

During the first nine months of 1990, activity in the chemical industry was relatively favourable, given the slowdown in economic growth observed in North America. The value of shipments increased by 1.4% during this period when compared with 1989 and reached $4.2 billion. This growth is higher than that of the Canadian chemical industry, which recorded a 1.4% drop; it even exceeds that of the overall Québec manufacturing sector. The average inventory-to-shipments ratio declined; it reached 69.6% for the first nine months of 1990, compared with 72.3% for 1989. According to a Statistics Canada survey, the number of wage earners in the industry increased by 1.9% (comparison of the first eight months of 1990 and 1989). During the first half of the year, exports of the chemical industry registered a 2.4% gain in relation to 1989. These exports amount to roughly 16% of the value of shipments.

With an 89% production capacity utilization rate in the second quarter of 1990, the chemical industry pursued its growth in capital expenditures. Up for the third consecutive year, the level of capital expenditures forecasted by Statistics Canada in its mid-year survey reached a new record in 1990: $644.5 million compared with $519.6 million in 1989, a 24% increase. Québec capital expenditures account for 29.3% of the total capital expenditures of the Canadian chemical industry (by comparison, the portion of Québec shipments was 25%).

Numerous projects in the inorganic chemistry sector were completed in 1990. This was the case with the expansion of the Albright & Wilson sodium chlorate plant in Buckingham ($40 million), completed in June 1990, and of the Alby Chlorates project in Valleyfield ($30 million). In Bécancour, in February 1990 Oxychem completed the first phase of its expansion program aimed at doubling its production capacity of hydrogen peroxide ($10 million). In addition, PPG Canada has completed the modernization of its chlorine and caustic soda production facilities in Beauharnois; undertaken to meet environmental protection standards, the project cost a total of $70 million ($40 million for the modernization of the production process, and a $30 million for plant dismantling and clean-up).

It is worth mentioning that Prodair has undertaken the construction of a nitrogen liquefaction plant in Saint-Augustin-de-Desmaures at a cost of $15 million. Finally, Liquid Air announced a $5 million investment in March to increase nitrogen production at its air separation plants in Varennes and Contrecoeur.

Despite a thinning profit margin, the petrochemical industry and firms dealing with organic synthesis and the recycling of waste oil, on the whole, stood up comparatively well given the downturn in economic activity. The price of many products, especially resins, experienced significant drops in the first half of the year, but demand in volume was generally firm. Many companies invested in the modernization and expansion of their production capacity. Pétromont invested more than $225 million in Varennes and Montréal-Est to enhance its high-density ethylene and polypropylene production capacity. In Varennes, Himont Canada terminated the construction of a $30 million plant for the production of a polypropylene resin with unique properties; the plant may serve as a base for the establishment of a technical research centre. Kemtec completed its $140 million investment in 1990 for the production of paraxylene. Québec firms are increasingly interested in new production technologies; the case of the production of aromatic petrochemical bases from butane and propane is significant.

The Soligaz consortium pursued its work to provide the Québec industry with a liquid supply of natural gas at competitive prices.

The Québec pharmaceutical sector continued to benefit from the Canadian industry's commitment to invest $1.4 billion in R & D by 1996. Québec firms should devote $630 million in research and expansion of their activities. Many projects have already been announced, including those of Merck Frosst ($220 million), Boehringer Ingelheim ($82 million), Bristol Myers Squibb ($65 million) and Nordic Laboratories ($43 million). Merck Frosst has almost completed the expansion of its research laboratory at a cost of $65 million. Finally, thanks to the leadership of Québec universities, approximately $200 million in investments will be added to the R & D efforts of the industry from 1990 until 1996. In the biotechnology field, IAF-Biochem and Lallemand have managed important technological and commercial breakthroughs.

The current trend toward mergers and consolidation in the international pharmaceutical sector has had repercussions in Québec. A good example of this is given by the

rationalization recently undertaken by Bristol Myers Squibb: while relocating its head office from Ottawa to Montréal, this company closed down one of the two plants it operated in Québec. Small and medium-sized businesses in the pharmaceutical industry, primarily involved in the production of generic drugs, are in full expansion. These companies are pursuing their efforts to gain a foothold in foreign markets, especially in the United States.

The increasing importance given to environmental protection is a challenge to the chemical products industry in all its sectors. Firms are presently getting acquainted with the new rules of the production game. A number of them are in the process of modifying their production process, if necessary by investing in new production technologies, or are planning to do so.

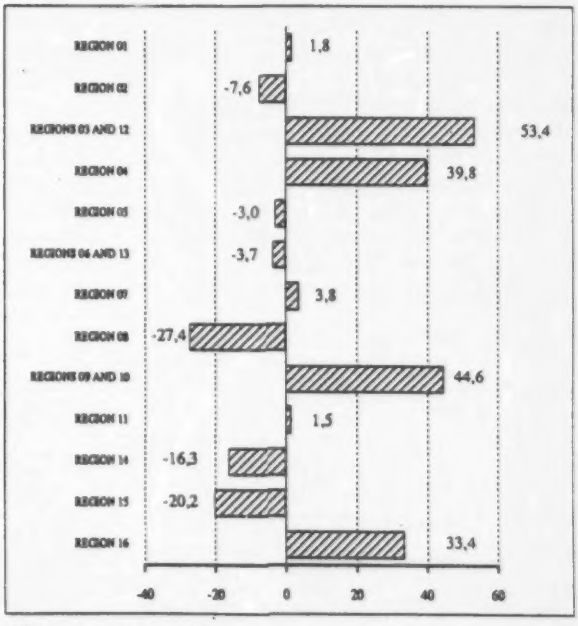
ANALYSIS BY REGION

ANALYSIS BY REGION

A recent revision of regional boundaries has brought the number of administrative regions in Québec to sixteen. Some statistics, however, are still unavailable for a few of the newly-created regions. In this document, the number of geographical divisions has been kept to thirteen through consolidation of those regions with incomplete data.

Several variables are of special relevance for regional economic analysis. They include the state of the labour market, the situation in the construction industry, and the evolution of capital expenditures. Also essential is the constant monitoring of investment projects, either newly announced or already under way. One must keep in mind, however, the limited accuracy of regional data published by statistical organizations; the often limited size of survey samples accounts for this problem.

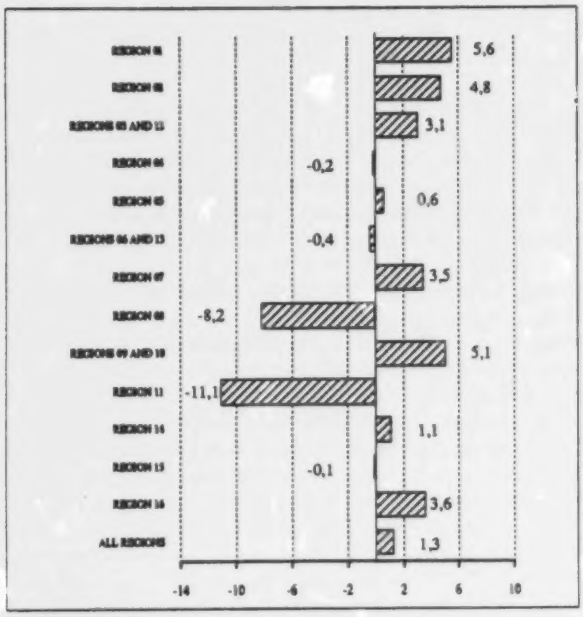
CAPITAL EXPENDITURES IN MANUFACTURING
CONTRIBUTION OF THE REGIONS
AS A PERCENTAGE OF THE OVERALL INCREASE
1990 *



* Estimates revised at mid-year

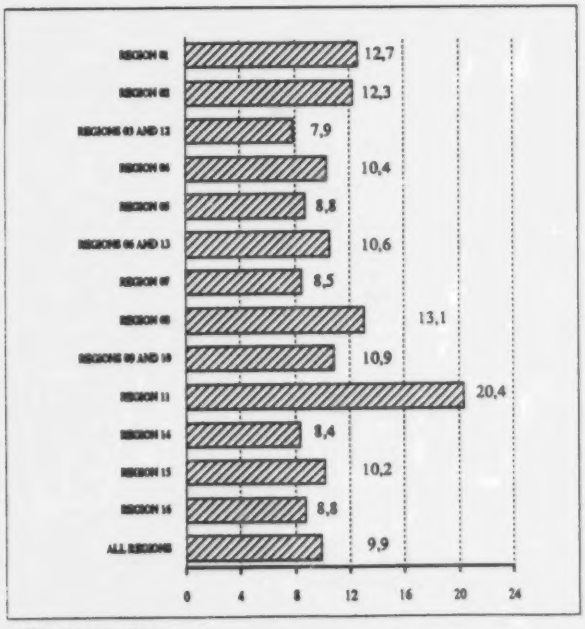
Bas-Saint-Laurent	01	Côte-Nord	09
Saguenay—Lac-Saint-Jean	02	Nord-du-Québec	10
Québec	03	Gaspésie—Îles-de-la-Madeleine	11
Mauricie—Bois-Francs	04	Chaudière-Appalaches	12
Estrie	05	Laval	13
Montréal	06	Lanaudière	14
Outaouais	07	Laurentides	15
Abitibi-Témiscamingue	08	Montérégie	16

EMPLOYMENT BY REGION
PERCENTAGE CHANGES
1990 / 1989 *



* First ten months

UNEMPLOYMENT RATE
BY REGION
1990 *



* First ten months

BAS-SAINT-LAURENT

Despite difficult economic conditions, the Bas-Saint-Laurent region has gained 4,200 new jobs, a 5.6% growth (data from the first ten months of the year). The unemployment rate, however, remains unchanged at 12.7%; the seasonal character of several local economic activities partly accounts for this.

Activity in the construction industry remained brisk, even after the completion of two major construction sites, Donohue Matane ($317 million) and Miron ($6 million). Public works have taken over where the industrial work sites left off. Construction activities in this area include the rebuilding of different sections of Highway 132 in New Carlisle ($6.7 million) and from Bic to Mont-Joli ($47.6 million).

Capital expenditures were up 18.2% in 1990, an excellent performance even though it does not quite rival that of 1989, when capital spending rose by 30%.

In the pulp and paper industry, two projects for building new paper pulp plants are in the planning stage: Staketech in Mont-Joli ($190 million), and Cascades in Cabano ($160 million). In the wood industry, the major events of the year were the reconstruction of Serbois in Lac-au-Saumon, and the modernization of the Causap sawmill in Causapscal ($1.6 million).

The transportation equipment industry was able to consolidate its position within the regional manufacturing sector, thanks to Bombardier. Faced with increased competition, the La Pocatière plant undertook the expansion and modernization of its facilities; this project, estimated at $10.1 million, involved the purchase and installation of advanced equipment to enhance flexibility and automate production. The improvements are an added asset for the La Pocatière plant, which already counts an impressive number of orders in its books. It will thus be possible to, simultaneously, build the 50 commuter cars required by the New Jersey Transit Corporation (a $49.5 million order), deliver the first shuttles for the English Channel tunnel ($200 mil-

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lion), and start production on the 30 commuter cars ordered by the Metro-North Commuter Railroad Company of New York ($35 million).

Newly established manufacturing firms include Plastique P.M.P. in Dégelis, a small to medium-sized enterprise specialized in thermoplastics; it started operating with a $1.8 million investment. In Rimouski, the Coop des travailleurs en mécano-soudure revitalized the Sometal plant (closed for two years) with a $1.2 million investment. The goal of the new cooperative is to act as a sub-contractor in building hydroelectric and aluminum components. Work in progress in these industries in various parts of Québec is an auspicious setting for the opening of this cooperative.

SAGUENAY—LAC-SAINT-JEAN

In 1990, the Saguenay - Lac-Saint-Jean region has experienced a growth rate of 4.8% in employment (data from the first ten months). This translates into 5,500 new jobs. However, employers did not succeed in integrating all new members of the labour force; data for the first ten months show the unemployment rate at 12.3%.

According to data published on the manufacturing sector, planned capital expenditures in 1990 stood in sharp contrast with actual data from recent years. The 1.5% decrease in 1990 broke the upward trend which, from 1988 onward, had sustained the annual growth rate of these expenditures at 26%.

Activity in the regional construction industry has declined sharply in 1990, more so than anywhere else in Québec. The number of hours worked is down by 8.7% from its level at the beginning of the year; in the second quarter, it actually shrank to two thirds of its level one year ago. Work stoppages on major construction sites account for most of this decline. Another significant contributor to the drop in industrial construction was the completion of the Laterrière project.

According to the Commission de la construction du Québec, a partial reversal of the situation in the last two quarters of 1990 may compensate to some degree for unworked hours in the first six months. According to published data, the residential construction sector enjoys surprisingly brisk activity. In the second quarter of 1990, housing starts were up by 50%, and the overall increase for the first half of the year stood at 45%.

Aluminum still dominates economic activity in the region. The almost ten-year-old program to replace Alcan's old Solderberg vat rooms has reached a new stage in 1990 with the official inauguration of the $850 million aluminum smelter in Laterrière. The next step will be the construction of a third aluminum smelter in Alma, a project estimated at $1 billion; the exact construction schedule has not yet been determined, and remains dependent on the general economic situation. Concurrently, Alcan is launching new products on the market, and has stepped up its effort at recycling industrial waste as a means to diversify its production.

The establishment of the Dubuc plant in Jonquière, built at a cost of $36 million, is part of this diversification effort. The first industrial-scale Duralcan castings were successfully completed in 1990. This material is made from aluminum and ceramics. It combines the lightness of aluminum with the strength, hardness and wear-resistant quality of ceramics. Another Alcan project in Jonquière, estimated at $52 million and well under way, will make the production of super-white hydrate possible; the marble-like oxide powder can be used for kitchen counters.

In the interest of environmental protection, Alcan has made strong efforts to recycle the extensive waste matter it generates, mainly slag and red sludge; the annual rate of accumulation of such waste matter is estimated at close to 600,000 tons per year. To recycle aluminum dross, Alcan's research center has developed a jet pump using electric arc heating technology; the new process will be used at the Guillaume Tremblay recycling plant, built at a cost of $13 million and slated to be fully functional in January 1991. To reprocess red sludge, Alcan has chosen to manufacture fire bricks. $28 million has already been invested in this project.

In addition to the aluminum industry, the modernization program at Industries Norbord in Chambord is still under way. The firm will invest $2.7 million in new equipment for the production of striped panels. In the plastic products sector, Polyco, a Jonquière firm specialized in the manufacturing of polyvinyl windows, has opened its own extrusion plant at the cost of $2.7 million. The new company, Profilés Extruco, will supply Polyco with PVC sections to substitute for European imports. Finally, Les Produits Alba, a company in Mistassini which makes bricks and construction blocks from calcite stone, has allocated $3 million to extend its facilities.

QUÉBEC AND CHAUDIÈRE-APPALACHES

Economic performance in the Québec and Chaudière-Appalaches regions has been good in 1990. Employment rose by 3.1% in the first ten months, twice the provincial rate. The large number of jobs created had a positive impact on

the unemployed; the region enjoys a 7.9% unemployment rate (data from the first ten months of 1990), 2.0 points below the average Québec rate. No other region in Québec has performed better on that count in 1990.

The construction industry was rather stable during the first half of the year. In the second half, major investment projects have been announced or are already under way in various sub-sectors of the industry; they have provided the added impetus needed for greater activity. Throughout the year, capital expenditures in the manufacturing sector have been the driving force invigorating regional economic activities. Indeed, local investment efforts have brought the Québec and Chaudière-Appalaches regions to the forefront in this respect; capital expenditures in the manufacturing sector have increased by 113% over 1989.

Despite a weaker market, the pulp and paper industry remains strong. Daishowa launched a $56 million project for the construction of a de-inking plant. The new facilities, located in Québec City, will feature the de-inking process developed by Daishowa in Japan over the past 15 years. Work on that project is scheduled to begin in April 1991. When completed, the plant will have notable positive effects on its immediate environment. It will eliminate sulfurous anhydride emissions and unpleasant odors, bring about a drop in particle emissions, and substantially reduce the biochemical oxygen demands in effluents. The Daishowa Company is also investing $27 million to modernize the cardboard factory of Daishowa Forest Products.

The Saint-Raymond-de-Portneuf paper mill, which had been closed since the summer of 1989, started operating again in the fall of 1990. The revitalization plan set forth by the Franco-Ontarian group Malette and government-owned Rexfor involves the modernization of the plant and the installation of draining tanks for liquid waste treatment. Total investment will reach $125 million. At first, the company intends to focus its production on fine paper; from 1992 onward, it plans to manufacture high-grade art paper, becoming the first Canadian firm to specialize in this type of production.

Lauralco, an Alumax subsidiary, has been given the go-ahead to proceed with its Deschambault construction project, estimated at $1 billion. The work site is expected to provide employment for up to 2,000 workers. Induced spending from this aluminum smelter project, estimated at $750 million, should lead to the further creation of 1,000 indirect jobs. The first castings are scheduled to begin in the spring of 1992.

The non-metallic mineral products industry also remains fairly robust. The Glaverbec flat glass factory, built by Glaverbel in Saint-Augustin-de-Desmaures for $150 million, should start production in late 1990. The plant, with a daily capacity of 500 million melted tons, uses the most advanced technology known in glass production. It is expected to create 300 jobs directly, and close to 500 indirectly. In Grondines, Ciment Québec will open a quarry and build a plant to produce concrete, and limestone for agricultural use, at a cost of $7.5 million. In Thetford Mines, Granirex is continuing work on the construction of manufacturing facilities for the production of marble, granite and quartz tiles and slabs. The $18 million plant, the first of its type in North America, is slated for completion in 1992. Lesser projects include reconstructing the Beauce Fibre de Verre plant in Sainte-Clothilde ($3 million), and expanding the Béton Bolduc facilities ($2 million).

In the electrical and electronic products industry, the multinational firm Asea Brown Boveri will establish a large plant in the Parc Technologique du Québec Métropolitain. Built at a cost of $13 million, it will manufacture new electrical equipment to replace more conventional equipment which has a higher PCB content. The company has pledged to reinvest 3% of its Québec sales revenues in R & D. In a separate development, Inglis has invested $15 million to modernize the company's Montmagny facilities, with a view to consolidating its position in the North American household appliances market.

Other manufacturing industries have also benefitted from major investment projects. Ultramar has just completed the first stage of its plan for extending the Saint-Romuald refinery facilities, at a total cost of $99 million. The company is currently considering plans to invest an added $60 million for yet another expansion. Ultramar also announced that it would spend $25 million to be used in a three-pronged effort to increase storage capacity, introduce automation in the production process, and upgrade liquid waste treatment for greater environmental cleanliness. Another firm, Prodair, is still involved in the construction of its $15 million hydrogen plant; the facilities will supply the Glaverbec factory in Saint-Augustin-de-Desmaures with the gas it needs.

In the food sector, Les Produits alimentaires Da Cortina is investing $4 million for the construction of manufacturing facilities in the Métrobec Park. The plant will produce fresh pasta. In Saint-Romuald, the Coopérative fédérée de Québec has opened its new plant for the production of animal food products, built at a cost of nearly $10 million; this investment will enable the cooperative to use the most recent technical advances in the industry. The Molson-O'Keefe Brewery is investing too, spending $4 million in the construction of its new administrative centre in Québec City.

In the clothing industry, the sports apparel manufacturer Louis Garneau has allocated $1 million to expand and modernize the firm's Saint-Augustin-de-Desmaures facilities.

MAURICIE—BOIS-FRANCS

As in 1989, the labour market in the Mauricie - Bois-Francs region has experienced some stagnation in 1990. During the first ten months, employment decreased by 0.2%. In addition to the various production problems faced by a few firms, the economic downturn can be held responsible for this situation and for a series of bankruptcies. Collective layoffs have inflated the ranks of the unemployed, raising the unemployment rate to 10.4% for 1990 (data from the first ten months).

Business conditions in the manufacturing sector have brought about a decline in regional construction. Overall, for the first six months of 1990, the number of hours worked was rolled back by 18%; the setback exceeded 25% in the second quarter. New developments in the next few months, however, should partially offset these losses. Several major construction projects are soon to reach a more labour-intensive phase, such as the modernization program undertaken by Kruger, and the expansion project carried out at the Stone-Consolidated plant (Belgo division).

The sustained growth of capital expenditures is the best proof of the wealth of new investment projects: the 25.6% progression in 1990 follows an already remarkable growth of 28.4% in 1989. The manufacturing sector was a major factor in sustaining such growth; capital expenditures in production increased by 50.2% in 1990.

The pulp and paper industry had to reorganize production. This was mandatory given the evolution of economic conditions in the sector coupled with the major additions to capacity which took place in recent years. In 1990, a number of paper manufacturers therefore resorted to temporary production shutdowns, and even to permanent layoffs. The fire at the Stone Consolidated cardboard plant in Grand-Mère added yet another shadow to the situation; given the prevailing poor market conditions, the plant will not be rebuilt and 150 jobs have been lost. Indeed, no new investment projects seem to be dawning on the horizon in the industry to replace those which are about to be completed, such as Cascades in Kingsey Falls ($25 million), Stone Consolidated in Grand-Mère ($280 million), and C.I.P. in La Tuque ($9 million).

During 1990, however, Stone Consolidated launched two major investment programs, one at the Belgo plant in Shawinigan, the other in Trois-Rivières. In the Shawinigan project, a total of $57 million will be injected to improve productivity and enhance environmental protection thanks to a significant reduction in the number of particles in suspension. The Trois-Rivières project, worth $32 million, will be used to modernize the facilities of the Wayagamack division. The German group Kunz-Uniboard has also undertaken a major project, with the construction of a laminated paper plant in Drummondville ($80 million). Production is scheduled to begin in the spring of 1991. Finally, Kruger is still busy expanding its Trois-Rivières plant, a $280 million project.

In the primary metals industry, the dominant project is still the ABI aluminum smelter in Bécancour. The addition of a third set of electrolysis vats amounts to a further $500 million investment, increasing plant capacity from 240,000 metric tons/year to 360,000 metric tons/year. The Bécancour plant will thus represent an overall investment of $1.15 billion. As one of the major employers in the region, ABI currently provides jobs for 800 people; this figure will increase to 1,050 when the current expansion is completed. Still in Bécancour, the Reynolds Cable Division of the Reynolds Aluminum Company of Canada announced the establishment of a fourth aluminum rod line plant. The cost of this project is estimated at $49 million. Moreover, the Norwegian company, Norsk-Hydro, is spending seven million dollars at its new facilities to be able to process magnesium waste into high value alloys.

Solid investment efforts are still the norm in the non-metallic mineral products sector in 1990. Brique Citadelle plans to build a new plant in Bécancour, at a cost exceeding $20 million. Arriscraft, a new brick manufacturer, is continuing the construction of its Saint-Étienne-des-Grès plant, a project estimated at $11 million. In addition, the Société de haute technologie du Québec, in conjunction with the Sphinx and Danoc Mining Company, announced that it will build a high quality synthetic quartz manufacturing plant in Trois-Rivières. This new plant, requiring an investment of $8 million, will provide employment for some ten people.

The activities of two Drummondville firms are also worth mentioning. The Plastics Prospect Company, specializing in parts for small vehicles, is expanding its facilities at a cost of $1 million while the only compact disc manufacturer in Québec, Disque Américic, must increase its production capacity to satisfy growing demand. Disque Américic is about to complete a $3.4 million investment program in equipment, and will launch a new project in the $1.4 million range before the end of 1990. The firm is also contemplating a possible second major investment program with a total of $10 million in capital expenditures spread over the 1991-1993 period.

ESTRIE

Few new jobs have been created in Estrie in 1990. During the first ten months of the year, the rate of growth in employment was only 0.6%, compared to 2.9% for the whole

of 1989. In addition to several recent company shutdowns (Lowney, Camoplast, Taurus, Communications Tie), the labour market has been affected by temporary layoffs among large industrial employers such as Kruger, Bombardier, Dominion Textile and C.S. Brooks. Unemployment, however, is not on the rise. To a large degree, this can be accounted for by economic agents withdrawing from an anemic labour market rather than keeping their search for a job active. The regional unemployment rate decreased to 8.8% in 1990 (data from the first ten months), down from 9.0% at the end of 1989.

The construction industry is still reducing its activities, as it has been since 1988. The downward trend in the number of hours worked has not been reversed. During the second quarter of 1990, that drop amounted to 14.7% of the level reached during the same period in 1989 (and to 16.6% over six months). The completion of a number of industrial projects such as Cascades, Airco and Leviton, together with the decrease in housing starts, explains the drop.

After a stunning 48% decrease in housing starts during the first quarter, residential construction, however, seemed to be back on the upswing during the second quarter. The region is even able to manage an 11% increase on that count when growth is measured over the first six months of the year. The commercial sector still maintains a brisk pace thanks to the construction of commercial buildings, such as those in Sherbrooke, Rock Forest and Asbestos. Several water treatment projects, either announced or already under way, should also bring some new strength to construction activities during the next few quarters. In Sherbrooke, the building of a library and of a penitentiary, together with the renovation of the City Hall, should contribute to further bolster the regional construction industry.

The number of manufacturing investment projects in Estrie has been decreasing in recent years; the trend continued in 1990 with capital expenditures in the manufacturing sector declining 15.4%. Nevertheless, investment remains brisk in some sectors of activity. Consequently, the overall level of regional capital expenditures has increased by 11.8% over last year, as opposed to a 20.2% setback in 1989. This upward trend is especially strong for the non-metallic mineral products, wood, and pulp and paper industries. The Domlin division of Graybec is completing a $13 million expansion program to double the production capacity of its Saint-Adolphe-de-Dudswell quicklime plant. The Spanish firm Tafisa has officially launched its project for a particle board plant in Lac-Mégantic, an investment with an overall price tag of $53 million. In addition to creating one hundred jobs, the plant will supply local furniture manufacturers specialized in ready-to-assemble kits. Another project of the same magnitude, one of the most important in Estrie for 1990, is the construction of a de-inking plant for the Kruger pulp and paper company in Bromptonville. The facility, worth $55 million, will create 50 new jobs, while ensuring that the 600 current jobs are maintained for the next twenty years.

MONTRÉAL AND LAVAL

Known in the past as a fairly good indicator of the general employment situation in Québec, the labour market of the Montréal and Laval regions has not shown much vigour in 1990. Employment declined by 0.4%, the number of layoffs rose, and the unemployment rate reached 10.6% (data from the first ten months). Separate data sets distinguishing between Montréal and Laval are not available. It is known, however, that Laval usually enjoys an unemployment rate some two points lower than that of Montréal.

The substantial drop in activity has affected all economic sectors, including manufacturing. Yet, while various factors can account for somewhat decreased activities in specific industries, large-scale investment projects keep emerging concurrently in others. Capital expenditures scheduled for 1990 exceed last year's by 8.2%, after a 1.8% drop in 1989.

Economic activity remains very strong in the aerospace industry, despite important reductions in personnel by two airline companies (Air Canada and Canadian International). The excellent conditions prevailing in aerospace construction favour new investments. Rolls-Royce is expanding its facilities in Lachine, a $9 million project, while Interfriction Canada is building a new brake-lining plant in Laval ($23 million). Moreover, the Montréal region will soon welcome an aerospace training centre, worth $67 million.

Once again this year, however, the best news in the aerospace sector has come from Bombardier. First-class in the art of giving new impetus to poorly performing firms, the Bombardier group has recently acquired a Texan manufacturer of small jet aircraft, Learjet, at a cost of $75 million. Coupled with last year's acquisition of Shorts Brothers P.L.C. in Northern Ireland, this takeover ranks Bombardier among the world's largest business aircraft manufacturers. At the same time, the construction of a new plane designed for regional transportation, the RJ aircraft, further strengthens Canadair's position as the world leader in the specialized field of regional passenger transportation by jet aircraft. Bombardier's aerospace division has therefore pursued its $275 million three-year investment program, which will create 3,000 direct jobs at the height of production in 1994, and 3,000 indirect jobs among sub-contractors.

Diversification gives the Bombardier group a significant advantage in the current economic situation. Sales should reach $3 billion this year, and the order book remains crowded. Canadair has just concluded a $250 million con-

tract with a Lufthansa subsidiary company for the sale of thirteen regional jets with an option on twelve additional aircraft. This brings the total buyers of the RJ to nine airline companies spread over seven countries, for a total of 139 aircraft. Likewise, Bombardier's Irish subsidiary has received two orders worth $150 million to supply components designed for Boeing airliners. As for Bombardier's Belgian subsidiary, BN Constructions Ferroviaires et Métalliques, it will produce 34 articulated streetcars for The Hague in Holland.

Growth was also the order of the day in the electrical and electronic products industry. Camco is completing a $30 million modernization program at its Montréal home appliance plant. GTE Sylvania, the lighting equipment manufacturer, is investing $3 million to add an automated production line to its facilities while Positron, in Montréal, devoted $2.1 million to set up the necessary installations to produce a new type of telephone console. World leader in the sector of hydroelectric supplies, General Electric obtained a $150 million contract from the James Bay Energy Corporation for its Lachine plant. This contract provides for the delivery of 8 hydroelectric turbine-alternator groups for the LG1 power station of the La Grande complex. The 650 workers at the Lachine plant will be maintained in their jobs. But faced with general surplus capacity in electric bulb production, General Electric has been forced to close its Montréal plant and to lay off its 200 workers.

The electronic products sub-sector keeps showing the unmistakable signs of great vitality. AT&T established a research centre for network management software in Montréal. This centre, the first of its kind outside of the United States, will require a $10 million investment over the next five years. In that part of the industry known as power electronics, Asea Brown Boveri Canada undertook component development and manufacturing, a decision involving a $1.5 million investment at its Saint-Laurent plant. In Sainte-Anne-de-Bellevue, SPAR Aerospace was granted two large-scale contracts, one with the Canadian Space Agency for phase I of the RADARSAT teledetection satellite program ($146 million), the other with General Electric for the development and manufacturing of communication antennas and electronic components ($35 million). The latter contract is part of Canada's involvement in the FREEDOM Space Station project. Philips continued its $50 million program for equipment acquisition and product development. Circo Craft is now in the second year of a four-year, $40 million investment program aimed at expanding its plant, while improving its capacities for both production and product development. Finally, CAE will produce a flight simulator for Swissair ($14 million), and five others for Lufthansa ($53 million). All of these projects will compensate for the loss of jobs announced by Northern Telecom (105 workers) and Marconi (150 workers).

In the chemical industry, Kemtec completed its $140 million investment for paraxylene production at its Montréal facilities. Pharmaceutical companies are pursuing their large-scale capital expenditure and applied research projects. Chief among them are Merck Frosst in Kirkland ($220 million), Boehringer Ingelheim ($82 million) and Nordic Laboratories ($43 million), both located in Ville-de-Laval, and Bristol Myers Squibb in Montréal ($65 million). Lesser projects in the pharmaceutical industry include a $4 million construction project for a pharmaceutical plant in Saint-Laurent (Ayerst Laboratories), as well as a $10 million plant modernization program (Abbott). Merck Frosst is completing the $65 million expansion of its research laboratory. Aside from the pharmaceutical industry, Procter & Gamble took advantage of the Free Trade Agreement to go ahead with the rationalization of its Pointe-Claire plant, at a cost of $3.5 million. The production of Duncan Hines cake mixes will be abandoned in favour of Ivory liquid soap; the plant will supply both the American and Canadian markets.

In the food and beverages industry, two projects stand out: the modernization and expansion of the Brown Nabisco-Christie biscuit factory in Montréal ($50 million over two years), and the merger of Labatt and Canada Packers in the milling and baking field. The latter development makes the rationalization of Montréal flour-milling facilities possible, and $30 million will be spent to that end. In addition to these, Borden is engaged in an expansion and modernization program for its Catelli pasta and sauce plant in Montréal; the $20 million investment will double plant production capacity. Breweries are active too, with Molson-O'Keefe and Labatt pursuing their investment programs, worth $80 million and $90 million respectively; both are three-year projects designed to increase production capacity, by 40% and 10% respectively.

Among other regional projects worth mentioning are the modernization of the Valmet-Dominion facilities in Lachine ($46 million), and of Sidbec-Dosco in Montréal ($100 million), together with the establishment of the Rougier Furniture company in Ville-de-Laval, with a $7 million investment in the new facilities.

The construction industry experienced a downturn of activity in the second quarter of 1990, the number of hours worked decreasing by 11% as compared to the same quarter in 1989 (combined data for the Montréal and Laval regions). The completion of a number of construction sites has been responsible for this drop since the beginning of 1990. The limited number of new investment projects does not allow for anticipation of a strong revival of construction activity in the coming months either, except in the special cases of public buildings and residential and business complexes. In the former category, attention must be drawn to the Université du Québec à Montréal expansion project ($60 million), and to the construction of the Musée

d'art contemporain ($27 million), both in Montréal. Laval, for its part, will benefit from the expansion of the Hôpital de la Cité ($20 million), and the construction of the Palais de Justice (also worth $20 million).

OUTAOUAIS

After a rather difficult year in 1989 with respect to the labour market, the Outaouais region enjoyed some growth in employment in 1990. The number of jobs climbed by 3.5% (data from the first ten months). The low regional unemployment rate (8.5%), distinctly less than the Québec average, encouraged people who had dropped out of the labor force to go back to look for a job.

The briskness of the labour market in the Outaouais region in 1990 coincided with sustained growth in capital expenditures. For the fourth consecutive year, such spending was on the increase, up 13.2% in 1990.

The general weakness in demand for pulp and paper did not prevent the regional industry from remaining quite active. Canadian Pacific Forest Products is continuing its investment program at the Gatineau facilities; this involves the replacement of old boilers at a cost of $40 million, and the construction of a de-inking plant estimated at $100 million. The $168 million paper mill constructed by MacLaren in Thurso is close to completion.

In the chemical industry, the Albright and Wilson Company, owned by the American firm Tenneco, is completing the modernization of its Buckingham plant, a project with a total cost of $40 million.

At the beginning of 1990, the Outaouais construction industry reduced its activities. The number of hours worked declined by 3.2% during the first semester in relation to the same period in 1989. At the root of this slowdown are the completion of the Canadian Museum of Civilization in Hull and the reduction of the construction activities linked with the industrial sector. A return to growth in construction work could occur by the end of 1990, however, when the Gatineau de-inking plant project is activated. The residential sector is still on an upward trend, increasing the number of housing starts by 57%. Several projects involve large-scale road construction and energy programs; they could well generate some growth in this type of construction activity during the next few quarters. The carrying out of a number of projects in the institutional sector will also favour a revival of activity. The major projects in this respect include the expansion of the Mont-Sainte-Marie tourist complex ($135 million over five years), the improvement of the recreational and tourist facilities at the Château Montebello resort ($25 million), the establishment of a new Bell Canada administrative centre in Hull ($25 million), and the extension of the Shawville community hospital ($10 million).

ABITIBI-TÉMISCAMINGUE

The Abitibi-Témiscamingue region has suffered a significant slump in the labour market in 1990. Total employment decreased by 8.2% (data from the first ten months) after having barely recorded a 1.4% increase for all of 1989. The largest personnel reductions were concentrated in two sectors: trade and services. Recorded at 13.1%, the regional unemployment rate clearly exceeds the overall Québec figure. The current economic situation does not favour investment by small and medium-sized businesses intent on acting as suppliers for other manufacturing firms or concentrating on the local market. Regional capital expenditures are therefore falling by 26% after having experienced a 29.4% growth in 1989.

The industrial sector was the hardest hit. The decline in its economic activity in 1990 was reflected in manufacturing capital expenditures, down 56.3% after a 106.9% progression in 1989.

Developing the major natural resource of the region, the lumber industry has consolidated its position as the real core of the regional business structure. Tembec engaged in new investment projects. It had recently acquired de-inking and paper recycling facilities in Boston, and constructed a top quality cardboard plant in Témiscaming. The company is now building a plant to produce ethyl alcohol in Témiscaming, at a cost of $34 million. As part of its environmental clean-up program, the firm is also involved in the construction of an $11 million evaporator. Finally, Norbord Industries, a wholly owned subsidiary of Noranda Forestry, is undertaking the modernization of pollution control equipment at its La Sarre plant ($2.7 million), and the extension of its corrugated panel plant in Val-d'Or ($6.8 million).

Regional activity in the construction industry was less substantial than in 1989 and the number of active wage earners dropped by 18% and the number of hours worked decreased by 20% between the first half of 1989 and the first half of 1990. This fall coincided with the completion of two large-scale industrial projects: the Temboard cardboard plant in Témiscaming ($270 million), and the Noranda Company project in Noranda ($160 million). Residential construction also proved to lack strength; the number of housing starts indicates a 30% drop between 1989 and 1990 (data from the first six months). Current construction

work in the pulp and paper and primary metals industries should limit the decrease in construction activities during the second half of the year. The Domtar and Noranda Minerals projects ($60 and $16 million respectively) spring to mind in this respect. Public works, still quite abundant, will add to this positive impact.

CÔTE-NORD AND NORD-DU-QUÉBEC

The Côte-Nord and Nord-du-Québec regions have enjoyed a 5.1% growth in employment in 1990 (data from the first ten months), the best performance of the year for all regions. This result can be attributed to the steadiness of the region's manufacturing sector. At 10.9% (data from the first ten months), the unemployment rate, however, still stands higher than the Québec average.

The various major investment projects being carried out in the manufacturing sector are responsible for the steady growth rate exhibited by regional capital expenditures in 1990. The Côte-Nord and Nord-du-Québec regions have contributed 44.6% of the total increase in fixed assets above the 1989 level in the Québec manufacturing sector.

In the primary metals industry, two major aluminum plant projects bolstered economic growth in the region: the expansion of the Reynolds plant in Baie-Comeau ($520 million) and the establishment of Alouette in Sept-Îles ($1.4 billion). Once work has been completed, the Sept-Îles plant will hire approximately 600 workers; the work force at the Baie-Comeau facility will grow to 2,150 persons from 1,950 at present.

The economic situation is not as favourable for the pulp and paper sector; 1990 was a year of weak demand, partial production stoppages and temporary layoffs. In spite of this, the Q & O Company in Baie-Comeau has pursued modernization of its thermo-mechanical pulp plant; the project, estimated at $130 million, will be completed at the end of the year.

In addition, various projects have appeared in the lumber industry; some of them have already reached the implementation stage. Construction has begun at Scierie Forestville in Forestville (a $2.2 million project), and at Resco Côte-Nord in Saint-Paul-du-Nord ($3.4 million). The Scierie Manicouté sawmill project in Manic V, estimated at $22 million, is also under way.

The projects initiated in the energy sector are creating employment and helping to structure the regional economy. The major project here is the work site of the new Manic V hydroelectric power plant, with an investment in excess of $800 million dollars to almost double the production capacity of the Daniel-Johnson Dam. Other Hydro-Québec work sites in the region include upgrading the power level of LG2A ($1.7 billion), constructing a new power line ($850 million), and spending $31 million at the Radisson station, and $20 and $50 million respectively in the two Bersimis River dams.

The construction industry is in full effervescence, and reflects this sustained activity; construction registered a high level of activity in the first half of 1990. Compared to the corresponding period in the previous year, hours worked increased 55%, and the number of active workers grew 25%. The numerous road and port work sites under way contribute to maintain this remarkable progression in regional construction activities.

GASPÉSIE — ÎLES-DE-LA-MADELEINE

The economic situation in the Gaspésie - Îles-de-la-Madeleine region has remained difficult in 1990. Employment declined by 11.1% (data from the first ten months). This drop in employment brings the unemployment rate, up for the fourth consecutive year, to above 20%. This rate is nearly 11 points above the Québec average.

The Gaspésie - Îles-de-la-Madeleine region, however, may count on several manufacturing investment projects (announced or under way), likely to help employment recover. Actually, the region enjoys the best performance in Québec when it comes to total capital expenditures, which are up 27.7% in 1990.

Difficulties in commercial fishing are partly responsible for the downturn in employment: the waning of fish stocks, the shortened fishing season, the weakness of prices, and the new standard imposed by the United States on lobster have all taken their toll on the operation of sea product processing plants, and brought about unavoidable layoffs.

The Gouvernment du Québec has established a special emergency assistance program for fisheries, a vital sector in the regional economy. More than $8 million was thus allocated to loan guaranties and credit margins to benefit three firms threatened with closure in the short term: Madelipêche in Cap-aux-Meules, Société des pêches of Newport, and Baie-des-Chaleurs Aquaculture. With such help, the latter has been able to carry on with the expansion program of its installations in Saint-Omer ($5.8 million);

Baie-des-Chaleurs Aquaculture is specialized in Atlantic salmon farming, and aims to diversify its production into trout farming. In Nouvelle, the Saukeb Company established a black salmon reconditioning plant, a $2 million project. Délices Gastronomiques of Rivière-au-Renard is presently launching its prepared meals on the market, thus implementing its explicit diversification strategy. A New Richmond firm, Nouran, uses a technological transfer of equipment in the preparation of animal and fish farm feed. Equipêche in Cap-Chat specializes in the research and manufacturing of processing equipment controlling the quality of fish, in collaboration with the Centre de Recherche Industrielle du Québec (CRIQ). Plans for making compost out of marine residues and peat moss are in the process of reaching the final decision stage in Shigawake; carried out on a medium scale, this technique may eventually solve certain environmental problems.

In addition, the extension of the Canada-Québec agreement on the development of fishing has encouraged research initiatives in aquaculture for yet another year. The studies carried out by Aquatek Mariculture on scallop farming and by Aquabiotech on salmon farming in a totally controlled environment are only two examples of ambitious projects likely to alleviate the difficulties currently confronting traditional fishing.

Another strategy contemplated by the industry consists of developing the local treatment of fish at the second and third processing stages. In Gaspé, Bacalao Del Castillo is working in that direction by completing its $2.7 million investment to enable it to produce frozen products such as pâtés, bisques and fumets.

Paper mills use the other major natural resource in the region, and are pursuing their capital expenditures program. Gaspésia in Chandler has just completed its $85 million investment to increase productivity. In New Richmond, Stone Consolidated invests about $5 million annually toward the improvement of waste water treatment and environmental clean-up, while modernizing some of its equipment.

Sawmills have benefited from new investments consolidating employment in this regionally vital sector. The Municipality of La Martre will host a pallet component plant, a $1 million project. In Pointe-à-la-Croix, the Guildo Deschênes plant, gutted by fire in 1987, was revived, while in Cap-Chat, Deniso Lebel announced a $6 million project.

According to the Commission de la construction du Québec, construction activities in the Gaspésie-Îles-de-la-Madeleine region have remained steady since the beginning of the year, a quite different picture from the rest of Québec. This phenomenon is explained by the presence of the work site for a new thermal power station in Les Îles-de-la-Madeleine: this Hydro-Québec project is evaluated at $200 million.

LANAUDIÈRE

The Lanaudière region has registered a 1.1% increase in the number of persons employed in 1990 (data for the first ten months). The unemployment rate has dropped from 8.5% in 1989 to 8.4% in 1990 (data from the first ten months). While numerous investment projects have contributed to job creation, the increase remains below that of previous years. The completion of major construction projects, particularly in the pulp and paper sector, accounts for most of the reduction in the anticipated level of capital expenditures. Local investment efforts in manufacturing have thus dropped 65.2% in 1990.

The plastic and rubber products industry is a source of growth for the regional economy, with investment projects like those of Recyclage Pélo Plastique in Berthierville ($5 million) and Yifan in Lanoraie ($30 million). Bridgestone-Firestone increased the capacity of its only Canadian plant in Joliette by 50%: the project has required total expenditures of $85 million, and is due to be completed by the end of 1990.

In the food and beverages sector, several projects have been initiated: the American firm Tyson is investing $3 million in the development of a poultry processing plant in Saint-Félix-de-Valois, while Labatt Breweries is setting up a distribution centre in Joliette ($1.2 million).

Among other projects in the region, the PPB Québec group, set up by three French construction products companies, is building a plant to produce structural elements of prestressed concrete in Terrebonne ($7 million); Graybec is expanding its lime plant capacity in Joliette ($1.5 million). Finally, in the chemical products sector, the West German Kunz industrial group intends to invest nearly $40 million in the construction of a plant for non-polluting colouring and bleaching products used in the computer-assisted printing sector. Plant construction is to begin during the summer of 1991.

The regional construction industry has maintained its level of activity in spite of the general economic downturn. Work related to commercial construction largely explains this steadfastness.

LAURENTIDES

Given its specialization in the transportation equipment industry, the economy of the Laurentides could not avoid the consequences of the important drops in the sale of automobiles and trucks. With massive layoffs, particularly

at General Motors in Sainte-Thérèse (1,700 persons), Kenworth in Boisbriand (120 persons), and Thundercraft in Lachute (300 persons), the region has been subject to a 0.1% drop in employment for 1990 (data for the first ten months). This slight decrease contrasts with the 6.0% growth in 1989; the unemployment rate has risen in 1990 to 10.2% (data from the first ten months).

In spite of present short term difficulties, the transportation equipment industry remains a key asset for future economic development in the region. In Boisbriand, the local General Motors division has won the production contract for the Chevrolet Camaro and Pontiac Firebird models, and this insures plant activities until the end of the nineties. This new production mandate is likely to entail a reorganization of the facilities, requiring some $100 million.

The aerospace industry, yet another pillar of the local economy, has maintained its rate of growth. The British multinational Dowty confirmed its intention to construct a landing gear production plant costing $89.4 million. The plant has worldwide exclusivity for the manufacturing of landing gear to equip Airbus A-330 and A-340 planes; the plant will be operational by mid 1991, and will create 500 direct jobs at peak periods together with about 300 further, indirect jobs. In addition, the Bell Helicopter Textron plant is operating at full capacity just two years after being chosen to assemble the main aircraft of the Texas multinational. In this program, the Mirabel plant has launched a fifth model, the twin motor 230, and its first client, Tokyo's Mitsui, has ordered twenty. The Mirabel firm alone has produced one third of the helicopters constructed in the past few years, and presently employs 1,100 persons. Finally, Canadair, recently established on the Mirabel territory, is beginning its defense aircraft maintenance activities; the project required capital expenditures of $50 million, and 650 jobs are directly involved.

The forest industry is suffering the effects of overcapacity and lack-luster demand. The closure of the Rolland Paper Plant in Mont-Rolland laid off 200 workers. The $13 million expansion of the Price Wilson plant in Lachute is continuing. The lumber sector has generated various investment projects: Cuisines Nelken in Saint-Jérôme ($500,000), Bois KMS in L'Annonciation ($400,000), Placages B.R.V. in Sainte-Agathe-des-Monts ($650,000), and Max Meilleur & Fils in Ferme-Neuve ($4.8 million).

The plastics and rubber sector has remained strong in 1990. In Lachute, FRE Composites, a manufacturer of composite parts, is benefiting from its recent expansion and modernization program worth $6.6 million. It has won a $4.1 million contract from Spar Aerospace; the mandate is to design, develop and manufacture a remote manipulator system for the FREEDOM Space Station. Furthermore, the Canadian subsidiary of Michelin will construct its $20 million distribution centre in Boisbriand.

Several projects are worth noting in the food sector: Best Food Canada in Boisbriand ($15 million), Les Moulées Laurentiennes in Saint-Jérôme ($4 million) and Casavant ($1 million).

Among other projects in the region, the Louisbourg Construction Company is building a new pre-stressed concrete pipe plant in Saint-Eustache, an undertaking estimated at more than $30 million.

The regional construction industry is showing signs of a slowdown. The completion of several work sites during 1990 entails both a drop in the level of activities in this sector and a decrease in the anticipated level of capital expenditures for 1990. Over all sectors of activity, capital expenditures have decreased by only 2.4%; this, however, hides a marked decline in the manufacturing sector on this count. Capital expenditures in manufacturing have dropped 71% from 1989, when they stood at $231 million, to 1990, when they barely reached $71 million.

MONTÉRÉGIE

Employment growth in the Montérégie region has achieved the same vigorous performance already noticed in the previous year. Regional employment expansion amounts to 20,100 new jobs, a growth rate of 3.6% (data from the first ten months). The economic downturn, however, has affected some industries: layoffs are reported mainly in the textile, clothing, furniture, and food and beverages sectors. The unemployment rate has risen to 8.8% (data for the first ten months).

Investment remains steady in most branches of economic activity. The strength of the manufacturing sector with regard to capital expenditures is indicative of the region's economic dynamism. Such spending exceeds the billion dollar mark: up 28.2% over 1989, it has reached $1.235 billion.

The electrical and electronic products sector is in good health. In order to meet growing demand, Mitel will inject $50 million over three years in its Bromont plant; the funds will be used to expand and modernize the production of semiconductors. In Saint-Jean-sur-Richelieu, Asea Brown Boveri is building a new plant to increase the production of dry-cooled transformers by 40%, a project estimated at $5 million. Finally, IBM is pursuing its two-year $135 million investment program in Bromont.

Montérégie contributes greatly to the growth of the Québec transportation equipment industry. Oerlikon, the well-known defence firm, is accelerating the diversification of its activities into environmental protection, telecommunications,

and aerospace. To this end, the company is pursuing its five-year $100 million investment program. This diversification strategy allows Oerlikon to maintain the 700 workers at the Saint-Jean-sur-Richelieu plant on its payroll. For its part, Pratt & Whitney is entering the second year of its quinquennial $300 million program toward the expansion and modernization of the Longueuil facility; given the delay, however, in the delivery of engines to the civil aviation market, the company has announced the suppression of 1,000 to 1,200 jobs. Finally, Héroux. is investing $15 million to consolidate activities at its Longueuil plant.

Reacting to shrinking automobile sales in the Canadian market, the Korean company Hyundai aims to make its presence felt in the Central United States region, where it still has no firm foothold. To supply the American market, Hyundai's plans call for an intensification of its production rate by 25% in November 1990; concurrently, its $120 million plant for dye-stamping parts is nearing completion. In Boucherville, Honda Canada has begun the construction of its new installations; the $20 million building will accommodate the head office, a large warehouse, and administrative facilities. Finally, Stone Marine Canada invested $2.5 million in Iberville, while Septa Rails is setting up a new train repair plant in Coteau-du-Lac at a cost of $3 million.

The chemical products sector keeps giving proof of its continuing dynamism, notably in the petrochemical industry. The major firms are completing important investments. In organic chemistry, the Pétromont and Himont work sites ($65 million and $30 million respectively) are under way in Varennes. Inorganic chemistry also has much activity to its credit: Alby Chlorate's modernization program for sodium chlorate in Valleyfield ($30 million) and PPG Canada's project in Beauharnois for the production of chlorine and alkali ($40 million). Liquid Air Canada, a manufacturer of industrial gas, invested $5 million toward the increase of nitrogen production in its air separation plants in Varennes and Contrecoeur. Bristol Myers Squibb, on the other hand, closed down two of its plants: one in Lac-Brome (179 layoffs), and the other in Candiac (124 layoffs). Tioxide Canada also announced that it may close a portion of its Tracy plant, with 200 persons being laid off. Relocation of its operations to Bécancour would permit use of a new process incorporating chlorine treatment, at a cost of $100 million.

The steel sector boasts two major investments. The first, that of Stelco Steel in Contrecoeur, is an expansion and modernization program estimated at $30 million. The other has been initiated by QIT-Fer et Titane in Sorel, a $120 million project. In the zinc industry, the huge modernization program being carried out by CEZ in Valleyfield is still in progress; total spending is estimated at $120 million. To these projects is to be added the creation of Sorevco, a Sidbec-Dosco and Dofasco partnership to build a galvanizing plant in Coteau-du-Lac at a cost of $50 million.

A single expansion project is under way in the pulp and paper industry: that of Perkins Papers in Candiac, with a total cost of $45 million. Various projects, on the other hand, have materialized in the yarn and textile industries: the Hafner group in Granby ($31 million), Peerless Carpets in Acton Vale ($13 million), Asten Canada in Valleyfield ($10.6 million), Dominion Textile in Saint-Timothée ($10 million), and Entreprises Benlay in Granby ($2.6 million).

The evolution of the food sector is dominated by Weston's $47 million investment to replace its Longueuil facilities; this bakery will stand as the most modern in North America. Delta Daily Food of Holland, specialized in ready-to-serve meals, established a plant in Rigaud, at a cost of $10 million. In Napierville, Boulangerie Gadoua is constructing a third bread bakery at a cost of $4.5 million. As for Pillsbury, it is still pursuing its $4 million modernization and expansion program at the Sainte-Martine preserve plant. In the beverages industries, the Molson-O'Keefe Brewery is constructing a second bottle sorting centre in the Boucherville industrial park, a $26 million investment.

According to the Commission de la construction du Québec, the number of hours worked in construction sites decreased in Montérégie by 5% in the second quarter of 1990, as compared to one year ago. Thanks to good results in the first quarter, though, cumulative data for the first six months of the year still show a slight gain of 1%.

STATISTICAL TABLES

COMPARISON OF ECONOMIC PERFORMANCE
QUÉBEC, ONTARIO, CANADA
1989-1990
(percentage changes)

	Real GDP (1)		EMPLOYMENT		CAPITAL EXPENDITURES		CPI (2)	
	1989	1990 F	1989	1990 (10 months)	1989	1990 F	1989	1990 (10 months)
QUÉBEC	2,5	0,4	1,0	1,3	7,7	8,6	4,4	4,1
ONTARIO	2,8	-0,8	1,8	0,1	9,9	-0,4	6,3	4,8
CANADA	3,1	0,6	2,0	1,0	9,3	6,4	5,0	4,8

F: Forecast.
(1) Gross domestic product at factors' price, in 1986 dollars.
(2) Consumer price index, Montréal, Toronto, Canada.
SOURCES: Conference Board of Canada.
Statistics Canada, *The Labour Force* (Cat. 71-001); *Private and Public Investment in Canada* (Cat. 61-205 and 61-206); *The Consumer Price Index* (Cat. 62-001).
Direction de l'analyse de la conjoncture industrielle, MICT.

UNEMPLOYMENT RATES
QUÉBEC, ONTARIO, CANADA
1989-1990

	UNEMPLOYMENT RATES	
	1989	1990 (10 months)
	(%)	
QUÉBEC	9,3	9,9
ONTARIO	5,1	6,0
CANADA	7,5	7,9

SOURCES: Statistics Canada, *The Labour Force* (Cat. 71-001).
Direction de l'analyse de la conjoncture industrielle, MICT.

HOUSING STARTS
QUÉBEC, ONTARIO, CANADA
1989-1990

	HOUSING STARTS (pop. 10 000 +)	
	1989	1990 (9 months)
	(thousands)	
QUÉBEC	41,9	31,6
ONTARIO	81,0	44,3
CANADA	183,3	123,2

SOURCES: Statistics Canada, *Housing Starts and Completions* (Cat. 64-002).
Direction de l'analyse de la conjoncture industrielle, MICT.

MAIN ECONOMIC INDICATORS
QUÉBEC
1989-1990
(percentage changes)

INDUSTRY	Real GDP		EMPLOYMENT		CAPITAL EXPENDITURES		WAGES	
	1989	1990 F	1989	1990 (10 months)	1989	1990 F	1989	1990 (8 months)
Agriculture	5,5	2,0	-17,3	5,0	-3,2	-2,0	-0,1	4,9
Other primary industries	3,1	-5,6	9,9	-7,9	11,1	-23,8	4,7	1,9
Manufacturing	1,7	-4,1	2,3	-6,4	24,3	14,3	6,1	3,1
Construction	3,2	4,8	-5,5	2,4	-3,5	2,4	8,8	4,7
Transportation, communication and other utilities	2,1	0,8	-1,8	2,5	19,3	25,9	9,2	9,0
Trade	-0,1	-2,6	5,0	1,4	4,0	8,3	6,9	7,4
Finance, insurance and real estate	5,0	0,9	4,7	-3,9	8,4	7,7	8,6	8,1
Service	3,3	4,6	-0,5	6,2	-3,0	-0,6	7,5	10,2
Public administration	1,5	1,8	4,9	3,6	14,1	10,5	7,5	7,5
ALL INDUSTRIES	**2,5**	**0,4**	**1,0**	**1,3**	**7,7**	**8,6**	**7,3**	**7,6**

F: Forecast.

SOURCES: Conference Board of Canada, *Provincial Outlook*, October 1990.
Statistics Canada, *The Labour Force* (Cat. 71-001);
Private and Public Investment in Canada (Cat. 61-205 and 61-206);
Estimates of Labour Income (Cat. 72-005).
Direction de l'analyse de la conjoncture industrielle, MICT.

INTERNATIONAL ECONOMIC SITUATION
1989-1990

COUNTRY	Real GDP		EMPLOYMENT		INFLATION (1)		UNEMPLOYMENT RATE	
	1989	1990 F	1989	1990	1989	1990	1989	1990
	(% changes)		(% changes)		(% changes)		(%)	
Canada	3,0	0,7	2,0	1,3	4,6	4,4	7,5	7,7
United States (2)	3,0	2,3	2,0	1,0	4,4	4,8	5,3	5,3
Japan (2)	4,9	4,7	1,9	1,8	1,7	2,8	2,3	2,2
West Germany (2)	4,0	3,9	1,3	1,6	3,1	2,6	5,5	6,1
France	3,7	3,1	1,0	0,9	3,3	3,0	9,5	9,3
United Kingdom	2,3	0,9	3,1	0,5	5,5	4,5	6,2	6,1
Italy	3,2	3,1	-0,5	0,6	6,0	6,1	12,1	12,2
TOTAL, OECD	**3,6**	**2,9**	**1,8**	**1,2**	**4,3**	**4,6**	**6,4**	**6,4**

F: Forecast.
(1) Private consumption deflators (OECD figures).
(2) GNP.
SOURCES: OECD, *Perspectives économiques de l'OCDE*, June 1990.
Conference Board of Canada, September 1990.
Statistics Canada, *The Labour Force* (Cat. 71-001).
Direction de l'analyse de la conjoncture industrielle, MICT.

OUTLOOK FOR 1991
OECD FORECASTS
(rates or percentage changes)

COUNTRY	Real GDP	EMPLOYMENT	INFLATION (1)	UNEMPLOYMENT RATE
Canada	2,6	1,0	5,2	8,2
United States (2)	2,5	1,1	4,6	5,4
Japan (2)	4,0	1,5	2,5	2,3
West Germany (2)	3,4	1,4	3,3	5,9
France	2,9	0,7	2,8	9,2
United Kingdom	1,9	-0,1	5,3	6,5
Italy	3,2	0,5	5,6	12,3
TOTAL, OECD	**2,9**	**1,1**	**4,4**	**6,5**

(1) Private consumption deflators (OECD figures).
(2) GNP.
SOURCES: OECD, *Perspectives économiques de l'OCDE*, June 1990.
Direction de l'analyse de la conjoncture industrielle, MICT.

ECONOMIC FORECASTS FOR 1991
QUÉBEC
(rates or percentage changes)

	CONFÉDÉRATION DESJARDINS	CONFERENCE BOARD DU CANADA	BANQUE NATIONALE
	Sept. 1990	Oct. 1990	Oct. 1990
GDP	0,5	0,3	-0,8
EMPLOYMENT	0,9	-0,7	-0,7
UNEMPLOYMENT RATE	9,9	10,6	11,5
CPI (1)	5,9	6,3	6,0

(1) CPI: Consumer price index, Province of Québec.
SOURCE: Direction de l'analyse de la conjoncture industrielle, MICT

ECONOMIC INDICATORS
QUÉBEC, ONTARIO, CANADA
1989-1990

	Real GDP (1)		EMPLOYMENT		UNEMPLOYED		CAPITAL EXPENDITURES	
	1989	1990 F	1989	1990 (10 months)	1989	1990 (10 months)	1989	1990 F
	(millions of $)		(thousands)		(thousands)		(millions of $)	
QUÉBEC	135 036	140 357	3 031,3	3 073,0	311,3	337,1	29 555,6	32 098,6
ONTARIO	235 002	243 248	4 949,4	4 955,7	264,4	316,7	55 370,5	55 176,5
CANADA	580 515	603 308	12 485,6	12 620,8	1 017,6	1 083,0	134 347,2	142 930,5

F: Forecast.
(1) Gross domestic product at factors' price, in 1986 dollars.
SOURCES: Conference Board of Canada, Oct. 1990.
Statistics Canada, *The Labour force* (Cat. 71-001); *Private and Public Investment in Canada* (Cat. 61-205 and 61-206).
Direction de l'analyse de la conjoncture industrielle, MICT

MANUFACTURERS' SHIPMENTS
QUÉBEC
1987-1990

INDUSTRY	1987	1988	1989	1990 (9 months)	1988/1987	1989/1988	1990/1989 (9 months)
	(millions of dollars)				(percentage changes)		
Food	8 953	9 167	8 739	6 955	2,4	-4,7	5,9
Beverages	1 361	1 424	1 440	1 082	4,6	1,1	1,5
Tobacco products	‡	‡	‡	‡	‡	‡	‡
Rubber products	‡	‡	‡	‡	‡	‡	‡
Plastic products	1 285	1 478	1 564	1 145	15,0	5,8	-3,9
Leather	478	519	528	372	8,5	1,8	-6,4
Primary textiles	1 672	1 697	1 592	998	1,5	-6,2	-16,9
Textile products	1 558	1 659	1 609	1 192	6,5	-3,0	-1,6
Clothing	3 928	3 983	4 187	3 131	1,4	5,1	-1,1
Wood	3 465	3 508	3 584	2 677	1,2	2,2	-2,3
Furniture	1 314	1 369	1 468	991	4,1	7,2	-9,1
Paper	7 266	7 861	8 597	5 869	8,2	9,4	-10,4
Printing and publishing	3 018	3 301	3 379	2 417	9,4	2,3	-3,7
Primary metals	6 148	7 130	7 024	4 577	16,0	-1,5	-16,0
Fabricated metal products	3 585	4 058	4 173	3 094	13,2	2,9	0,5
Machinery	1 357	1 693	1 791	1 387	24,8	5,8	5,0
Transportation equipment	5 070	6 497	7 163	4 980	28,2	10,3	-4,2
Electrical and electronic products	3 926	4 476	5 310	3 732	14,0	18,6	-3,8
Non-metallic mineral products	1 714	1 787	1 656	1 170	4,3	-7,4	-7,0
Petroleum products	3 015	2 541	2 482	2 142	-15,7	-2,4	21,2
Chemical products	4 634	5 220	5 492	4 160	12,7	5,2	1,4
Miscellaneous manufacturing	‡	‡	‡	‡	‡	‡	‡
Durable goods (1)	26 579	30 517	32 169	22 608	14,8	5,4	-5,8
Non-durable goods (1)	37 168	38 851	39 609	29 463	4,5	2,0	-0,9
TOTAL	**66 531**	**72 247**	**74 921**	**54 506**	**8,6**	**3,7**	**-2,9**

‡ Confidential data.
(1) Partial, excluding confidential data.
SOURCES: Statistics Canada, *Inventories, Shipments and Orders in Manufacturing Industries* (Cat. 31-001).
Direction de l'analyse de la conjoncture industrielle, MICT.

TOTAL CANADIAN EXPORTS LOADED IN QUÉBEC
25 PRINCIPAL PRODUCTS EXPORTED
1987-1990

RANK 1989	PRODUCTS	1987	1988	1989	1990 (6 months)	1988/1987	1989/1988	1990/1989 (6 months)
		(millions of dollars)				(percentage changes)		
1.	Newsprint	2 795,8	3 118,9	2 786,3	1 328,9	11,6	-10,7	-6,5
2.	Aluminum and alloys	1 880,1	2 674,5	2 344,4	1 000,9	42,3	-12,3	-28,8
3.	Automobiles and chassis	974,6	1 958,9	1 825,5	453,0	101,0	-6,8	-61,6
4.	Other telecommunications equipment and material	1 203,7	1 096,7	1 485,2	1 055,7	-8,9	35,4	72,0
5.	Aircraft engines and parts	808,4	802,6	1 039,5	557,8	-0,7	29,5	5,9
6.	Wood pulp and similar pulps	529,4	640,1	742,5	331,0	20,9	16,0	-14,5
7.	Copper and alloys	419,4	496,4	647,8	286,2	18,4	30,5	-12,6
8.	Lumber	588,5	524,6	547,9	222,4	-10,9	4,4	-21,2
9.	Full aircraft with engines	251,0	345,6	497,9	213,6	37,7	44,1	38,5
10.	Office machines and equipment	283,5	498,4	469,0	255,5	75,8	-5,9	4,7
11.	Other measuring and control instruments	271,9	333,1	399,9	195,8	22,5	20,1	-2,6
12.	Special commercial transactions	363,3	368,6	379,2	720,3	1,4	2,9	259,1
13.	Fresh, refrigerated and frozen meat	386,9	344,2	365,9	210,9	-11,0	6,3	20,0
14.	Other equipment and tools	342,6	309,9	338,6	168,2	-9,6	9,3	0,7
15.	Basic metalworks	297,5	321,7	337,4	187,7	8,1	4,9	10,7
16.	Unfinished asbestos	265,8	283,6	315,6	141,8	6,7	11,3	-4,8
17.	Iron ore and concentrates	318,8	330,8	312,6	135,7	3,8	-5,5	-8,0
18.	Precious metals and alloys	108,4	75,2	300,3	79,1	-30,7	299,5	-22,2
19.	Zinc and alloys	187,1	186,6	296,1	166,1	-0,3	58,7	1,5
20.	Other waste and refuse	40,1	240,7	294,3	137,8	499,9	22,3	5,6
21.	Clothing and accessories	310,6	275,3	227,2	89,8	-11,4	-17,5	-7,6
22.	Other paper and printing	254,3	71,6	225,2	145,5	-71,8	214,3	32,8
23.	Other motor vehicles	122,4	199,5	218,3	54,3	63,1	9,4	-50,4
24.	Printed matter	221,1	227,4	200,9	101,9	2,9	-11,7	-6,5
25.	Electricity	442,0	328,7	200,3	60,8	-25,6	-39,1	-45,5
	TOTAL 10 PRINCIPAL PRODUCTS	9 734,3	12 156,7	12 386,0	5 705,3	24,9	1,9	-12,8
	25 PRINCIPAL PRODUCTS	13 667,2	16 053,8	16 797,9	8 301,0	17,5	4,6	-4,4
	ALL PRODUCTS	**20 214,8**	**22 580,6**	**23 302,3**	**11 955,9**	**11,7**	**3,2**	**-0,8**

SOURCES: Bureau de la statistique du Québec, *Exportations du Canada chargées au Québec.*
Direction de l'analyse de la conjoncture industrielle, MICT.

QUÉBEC'S INTERNATIONAL EXPORTS
1987-1990

DESTINATION		1987	1988	1989	1990 (6 months)	1988/1987	1989/1988	1990/1989 (6 months)
		(millions of dollars)				(percentage changes)		
United States		15 632,9	16 999,3	16 954,0	9 041,3	8,7	-0,3	1,6
	%	77,3	75,3	72,8	75,6			
EEC		2 215,4	2 847,9	3 306,0	1 536,0	28,6	16,1	-8,4
	%	11,0	12,6	14,2	12,8			
Japan		339,5	448,3	470,0	183,3	32,0	4,8	-16,5
	%	1,7	2,0	2,0	1,5			
Other countries		2 027,0	2 285,1	2 572,0	1 195,4	12,7	12,6	-4,5
	%	10,0	10,1	11,0	10,0			
TOTAL		**20 214,8**	**22 580,6**	**23 302,0**	**11 956,0**	**11,7**	**3,2**	**-0,8**
	%	**100,0**	**100,0**	**100,0**	**100,0**			

SOURCES: Bureau de la statistique du Québec, *Exportations du Canada chargées au Québec*.
Direction de l'analyse de la conjoncture industrielle, MICT.

EMPLOYMENT, BY INDUSTRY
QUÉBEC
1987-1990

INDUSTRY	1987	1988	1989	1990 (10 months)	1988/1987	1989/1988	1990/1989 (10 months)
	(thousands)				(percentage changes)		
Agriculture	74,2	68,7	56,7	60,4	-7,4	-17,5	5,0
Other primary industries	40,9	40,3	44,2	41,8	-1,5	9,7	-7,9
Manufacturing	558,9	611,5	625,7	588,5	9,4	2,3	-6,4
Construction	157,5	173,8	164,3	169,3	10,3	-5,5	2,4
Transportation, communication and other utilities	226,4	226,2	222,1	227,1	-0,1	-1,8	2,5
Trade	513,2	512,7	538,6	545,4	-0,1	5,1	1,4
Finance, insurance and real estate	167,7	164,7	172,3	167,9	-1,8	4,6	-3,9
Service	972,6	1 004,1	998,8	1 055,0	3,2	-0,5	6,2
Public administration	207,0	198,6	208,5	217,8	-4,1	5,0	3,6
ALL INDUSTRIES	**2 918,4**	**3 000,6**	**3 031,3**	**3 073,0**	**2,8**	**1,0**	**1,3**

SOURCES: Statistics Canada, *The Labour Force* (Cat. 71-001) and special compilations.
Direction de l'analyse de la conjoncture industrielle, MICT.

EMPLOYMENT
MANUFACTURING SECTOR
QUÉBEC
1987-1990

	1987	1988	1989	1990 (10 months)	1988/1987	1989/1988	1990/1989 (10 months)
	(thousands)				(percentage changes)		
EMPLOYMENT							
Total	558,9	611,5	625,7	588,5	9,4	2,3	-6,4
Men	394,0	432,0	436,4	411,8	9,6	1,0	-6,5
Women	164,9	179,5	189,2	176,8	8,9	5,4	-6,3
FULL-TIME EMPLOYMENT							
Total	542,2	590,7	603,9	572,1	8,9	2,2	-5,7
Men	387,6	424,2	427,9	404,9	9,4	0,9	-6,2
Women	154,6	166,5	176,0	167,5	7,7	5,7	-4,3
PART-TIME EMPLOYMENT							
Total	16,7	20,8	21,8	16,3	24,6	4,8	-25,9
Men	6,4	7,8	8,5	7,3	21,9	9,0	-15,1
Women	10,3	13,0	13,2	9,2	26,2	1,5	-31,3

SOURCES: Statistics Canada, *The Labour Force* (Cat. 71-001) and special compilations
Direction de l'analyse de la conjoncture industrielle, MICT

AVERAGE HOURLY EARNINGS IN MANUFACTURING (INCLUDING OVERTIME)
EMPLOYEES PAID BY THE HOUR
QUÉBEC
1987-1990

INDUSTRY	1987	1988	1989	1990 (8 months)	1988/1987	1989/1988	1990/1989 (8 months)
	(dollars)				(percentage changes)		
Food and beverages	11,65	12,11	12,48	12,86	3,9	3,1	3,5
Tobacco products	20,18	21,45	23,06	23,85	6,3	7,5	4,7
Rubber and plastics products	10,46	10,59	11,55	11,62	1,2	9,1	1,5
Leather	7,54	7,77	7,99	8,24	3,1	2,8	3,5
Textiles	9,21	9,58	10,08	10,07	4,0	5,2	0,8
Knitting mills	7,42	7,63	8,08	8,39	2,8	5,9	4,2
Clothing	7,29	7,59	8,23	8,60	4,1	8,4	6,2
Wood	9,90	10,24	11,08	11,72	3,4	8,2	8,1
Furniture	8,97	9,10	9,50	9,94	1,4	4,4	5,6
Paper	15,38	16,04	16,74	17,19	4,3	4,4	3,4
Printing and publishing	12,87	13,90	14,25	15,38	8,0	2,5	7,7
Primary metals	15,33	15,77	17,11	18,16	2,9	8,5	6,4
Fabricated metal products	11,24	11,96	12,70	13,45	6,4	6,2	6,8
Machinery	11,53	12,24	13,13	13,52	6,2	7,3	4,7
Transportation equipment	12,94	13,60	14,43	14,98	5,1	6,1	5,6
Electrical and electronic products	11,80	12,23	13,31	14,20	3,6	8,8	8,4
Non-metallic mineral products	12,57	12,86	13,60	14,28	2,3	5,8	5,9
Petroleum products	16,08	13,62	13,10	12,96	-15,3	-3,8	1,8
Chemical products	12,69	13,10	13,94	14,82	3,2	6,4	7,5
Miscellaneous manufacturing	7,88	8,89	9,18	9,88	12,8	3,3	9,4
Durable goods	11,72	12,20	13,09	13,86	4,1	7,3	7,3
Non-durable goods	10,90	11,54	12,17	12,61	5,9	5,5	4,5
TOTAL	**11,25**	**11,84**	**12,59**	**13,15**	**5,2**	**6,3**	**5,5**

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Cat. 72-002), SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE HOURLY EARNINGS
MANUFACTURING
JUNE 1990

INDUSTRY	QUÉBEC	ONTARIO	CANADA	U.S. (1) $ (Cdn.)	QUÉ./CAN.	QUÉ./ONT.	QUÉ./U.S.
	(dollars)						
Food and beverages	12,69	13,69	12,68	11,28	100,1	92,7	112,5
Tobacco products	25,16	23,93	24,73	20,18	101,7	105,1	124,7
Rubber and plastics products	11,56	12,17	12,16	11,40	95,1	95,0	101,4
Leather	8,00	9,02	8,56	8,10	93,5	88,7	98,8
Textiles	9,99	13,12	11,51	9,41	86,8	76,1	106,2
Knitting mills	8,38	8,49	8,37	n/a	100,1	98,7	n/a
Clothing	8,99	8,64	8,62	n/a	104,3	104,1	n/a
Wood	11,61	12,10	14,00	10,70	82,9	96,0	108,5
Furniture	10,12	12,00	11,04	9,96	91,7	84,3	101,6
Paper	17,42	16,25	17,82	14,33	97,8	107,2	121,6
Printing and publishing	15,62	14,11	14,30	13,08	109,2	110,7	119,4
Primary metals	18,38	18,19	18,22	15,09	100,9	101,0	121,8
Fabricated metal products	13,44	14,38	14,28	12,67	94,1	93,5	106,1
Machinery	13,45	15,56	14,68	13,69	91,6	86,4	98,2
Transportation equipment	15,32	17,57	16,81	16,70	91,1	87,2	91,7
Electrical and electronic products	14,62	13,67	14,01	12,56	104,4	106,9	116,4
Non-metallic mineral products	14,20	15,44	14,95	12,98	95,0	92,0	109,4
Petroleum products	12,87	19,24	17,98	19,19	71,6	66,9	67,1
Chemical products	14,84	15,01	15,05	15,80	98,6	98,9	93,9
Miscellaneous manufacturing	9,99	12,40	11,55	10,13	86,5	80,6	98,6
Durable goods	13,99	15,74	15,20	13,32	92,0	88,9	105,0
Non-durable goods	12,69	13,51	13,25	11,86	95,8	93,9	107,0
TOTAL	**13,25**	**14,82**	**14,27**	**12,71**	**92,9**	**89,4**	**104,2**

n/a: Non available.
(1) Conversion rate: 1.1728 $ (Cdn.) = 1.00 $ (U.S.) (June 1990 average).
SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Cat. 72-002, July 1990), SIC, 1970.
U.S. Department of Commerce, *Survey of Current Business*, August 1990.
Bank of Canada Review, August 1990.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE WEEKLY EARNINGS IN MANUFACTURING (INCLUDING OVERTIME)
ALL EMPLOYEES
QUÉBEC
1987-1990

INDUSTRY	1987	1988	1989	1990 (8 months)	1988/1987	1989/1988	1990/1989 (8 months)
	(dollars)				(percentage changes)		
Food and beverages	478,06	494,10	512,89	528,23	3,4	3,8	3,3
Tobacco products	746,84	816,66	882,67	911,18	9,3	8,1	5,1
Rubber and plastics products	435,27	450,87	481,75	501,35	3,6	6,8	5,4
Leather	316,76	327,29	340,37	350,59	3,3	4,0	4,3
Textiles	410,45	436,56	455,25	462,35	6,4	4,3	2,5
Knitting mills	335,20	339,03	358,61	373,53	1,1	5,8	4,9
Clothing	305,78	307,05	333,38	348,72	0,4	8,6	6,3
Wood	413,08	436,46	463,44	482,97	5,7	6,2	5,7
Furniture	379,21	379,43	402,27	411,89	0,1	6,0	4,3
Paper	638,73	667,99	698,82	709,45	4,6	4,6	2,5
Printing and publishing	492,24	538,23	545,51	586,52	9,3	1,4	7,5
Primary metals	671,39	684,56	733,51	776,28	2,0	7,2	7,4
Fabricated metal products	468,60	497,63	524,57	555,59	6,2	5,4	7,2
Machinery	521,30	542,46	583,93	614,07	4,1	7,6	7,4
Transportation equipment	594,30	620,01	652,02	671,16	4,3	5,2	4,5
Electrical and electronic products	552,21	583,23	613,59	649,73	5,6	5,2	7,5
Non-metallic mineral products	534,11	553,81	584,14	613,59	3,7	5,5	7,2
Petroleum products	761,22	820,76	879,71	911,34	7,8	7,2	6,2
Chemical products	589,04	612,74	644,56	693,29	4,0	5,2	9,2
Miscellaneous manufacturing	355,27	390,85	410,69	463,81	10,0	5,1	15,1
Durable goods	518,94	541,83	575,23	605,67	4,4	6,2	7,0
Non-durable goods	456,82	482,64	508,63	530,56	5,7	5,4	5,5
TOTAL	**481,93**	**507,65**	**537,19**	**561,58**	**5,3**	**5,8**	**5,9**

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Cat. 72-002), SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

PERSON-DAYS LOST IN WORK STOPPAGES
MANUFACTURING
QUÉBEC
1987-1990

INDUSTRY	1987	1988	1989	1990 (9 months)	1988/1987	1989/1988	1990/1989 (9 months)
	(number)				(percentage changes)		
Food and beverages	98 994	8 887	34 834	8 936	-91,0	292,0	-72,8
Tobacco products	0	0	0	0	—	—	—
Rubber and plastics products	10 684	4 710	23 709	1 344	-55,9	403,4	-94,0
Leather	6 868	75	0	1 380	-98,9	—	—
Textiles	8 780	10 844	10 766	865	23,5	-0,7	-92,0
Knitting mills	4 905	0	0	0	—	—	—
Clothing	90 576	16 776	6 980	11 994	-81,5	-58,4	71,8
Wood	16 290	51 504	29 351	36 021	216,2	-43,0	31,6
Furniture	17 399	25 527	14 659	2 544	46,7	-42,6	-82,6
Paper	62 671	38 705	8 385	58 103	-38,2	-78,3	799,0
Printing and publishing	31 191	7 875	4 095	0	-74,8	-48,0	—
Primary metals	47 496	41 256	2 859	68 595	-13,1	-93,1	11 747,2
Fabricated metal products	25 372	27 036	21 168	24 077	6,6	-21,7	42,0
Machinery	79 388	10 520	22 015	7 019	-86,7	109,3	-67,9
Transportation equipment	21 510	5 741	14 305	27 746	-73,3	149,2	141,9
Electrical and electronic products	50 691	26 227	36 477	826	-48,3	39,1	-97,7
Non-metallic mineral products	5 369	3 074	28 933	9 244	-42,7	841,2	-50,8
Petroleum products	0	0	1 130	0	—	—	—
Chemical products	6 049	102 872	7 758	2 583	1 600,6	-92,5	-19,8
Miscellaneous manufacturing	0	242	11 209	1 210	—	4 531,8	-88,9
TOTAL	**584 233**	**381 871**	**278 633**	**262 487**	**-34,6**	**-27,0**	**6,8**

SOURCES: Ministère du Travail, *Grèves et lock-out au Québec*, SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

LABOUR DISPUTES
MANUFACTURING SECTOR
QUÉBEC
1987-1990

INDUSTRY	% OF ESTIMATED WORKING DAYS				PERSON-DAYS LOST
	1987	1988	1989	1990 (8 months)	1990 (8 months)
Food and beverages	0,7	0,1	0,2	0,1	8 804
Tobacco products	—	—	—	—	0
Rubber and plastics products	0,2	0,1	0,5	0,0	1 344
Leather	0,3	0,0	0,0	0,1	1 380
Textiles	0,1	0,2	0,2	0,0	865
Knitting mills	0,2	—	—	—	0
Clothing	0,6	0,1	0,1	0,1	11 220
Wood	0,2	0,7	0,4	0,7	31 480
Furniture	0,3	0,5	0,3	0,1	2 154
Paper	0,6	0,3	0,1	0,5	33 763
Printing and publishing	0,4	0,1	0,0	—	0
Primary metals	0,7	0,6	0,0	1,3	52 920
Fabricated metal products	0,3	0,3	0,2	0,4	23 185
Machinery	1,7	0,2	0,4	0,2	6 392
Transportation equipment	0,2	0,1	0,1	0,4	24 915
Electrical and electronic products	0,6	0,3	0,4	0,0	666
Non-metallic mineral products	0,1	0,1	0,8	0,4	8 108
Petroleum products	—	—	0,1	—	0
Chemical products	0,1	1,5	0,1	0,1	2 583
Miscellaneous manufacturing	—	0,0	0,2	0,0	1 210
Durable goods	0,5	0,3	0,3	0,4	149 820
Non-durable goods	0,4	0,2	0,1	0,1	61 169
TOTAL	**0,4**	**0,3**	**0,2**	**0,2**	**210 989**

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Cat. 72-002), SIC, 1970.
Ministère du Travail, special compilations, SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

CAPACITY UTILIZATION RATES
CANADA
1987-1990

INDUSTRY	1987	1988	1989	1990 1st Q.	1990 2nd Q.
Food	86,5	84,7	81,8	80,9	80,4
Beverages	76,8	79,9	77,7	75,8	75,1
Tobacco products	69,4	72,6	73,7	65,8	65,6
Rubber products	95,7	92,8	92,5	85,4	85,1
Plastic products	88,7	86,7	78,9	73,3	72,0
Leather	84,4	77,3	77,4	77,8	73,5
Primary textiles	94,6	94,1	89,6	86,9	87,1
Textile products	83,8	84,0	79,6	75,6	76,0
Clothing	88,0	82,5	81,6	78,2	75,2
Wood	97,9	93,6	88,5	85,6	83,4
Furniture	80,7	78,2	77,1	69,0	66,2
Paper	94,9	94,7	91,2	86,7	86,8
Printing and publishing	88,5	86,8	82,5	78,3	74,8
Primary metals	89,0	94,2	92,8	86,4	88,3
Fabricated metal products	77,5	79,0	78,8	76,8	76,6
Machinery	72,5	81,1	76,8	71,6	69,0
Transportation equipment	75,5	79,1	75,4	66,2	71,3
Electrical and electronic products	93,3	95,2	91,5	87,2	83,6
Non-metallic mineral products	85,1	86,8	85,2	83,1	80,3
Petroleum products	86,5	90,9	91,8	93,1	89,5
Chemical products	86,0	90,9	90,0	89,3	89,0
Miscellaneous manufacturing	78,5	78,8	77,4	75,6	75,8
Durable goods	83,2	85,8	83,1	78,1	78,1
Non-durable goods	88,1	87,9	85,2	82,5	81,5
TOTAL	**85,6**	**86,8**	**84,1**	**80,2**	**79,7**

SOURCES: Statistics Canada, *Capacity Utilization Rates in Canadian Manufacturing* (Cat. 31-003).
Direction de l'analyse de la conjoncture industrielle, MICT.

CAPITAL EXPENDITURES IN MANUFACTURING BY INDUSTRY QUÉBEC 1987-1990

INDUSTRY	1987	1988	1989 (1)	1990 (2)	1988/1987	1989/1988	1990/1989
	(millions of dollars)				(percentage changes)		
Food and beverages	253,1	328,6	335,8	319,2	29,8	2,2	-4,9
Tobacco products	28,8	‡	‡	‡	—	—	—
Rubber products	67,4	88,8	97,4	69,4	31,8	9,7	-28,7
Leather	6,0	5,7	3,3	5,2	-5,0	-42,1	57,6
Textiles	89,0	91,1	92,3	106,8	2,4	1,3	15,7
Knitting mills	14,4	21,2	16,1	8,9	47,2	-24,1	-44,7
Clothing	25,0	24,8	27,6	18,6	-0,8	11,3	-32,6
Wood	99,6	181,7	186,2	78,4	82,4	2,5	-57,9
Furniture	37,2	29,3	20,2	17,6	-21,2	-31,1	-12,9
Paper	1 161,0	992,4	1 412,3	1 173,8	-14,5	42,3	-16,9
Printing and publishing	75,7	81,0	75,4	65,1	7,0	-6,9	-13,7
Primary metals	490,6	683,9	1 169,9	1 998,1	39,4	71,1	70,8
Fabricated metal products	111,7	109,3	87,4	69,0	-2,1	-20,0	-21,1
Machinery	81,6	142,4	150,5	173,5	74,5	5,7	15,3
Transportation equipment	284,0	496,1	401,2	456,5	74,7	-19,1	13,8
Electrical and electronic products	141,1	159,3	170,1	213,1	12,9	6,8	25,3
Non-metallic mineral products	95,3	126,3	128,1	192,8	32,5	1,4	50,5
Petroleum products	120,0	104,8	158,3	163,9	-12,7	51,0	3,5
Chemical products	347,7	364,9	519,6	644,5	4,9	42,4	24,0
Miscellaneous manufacturing	40,9	‡	‡	‡	—	—	—
Durable goods	1 341,1	1 928,3	2 313,6	3 199,0	45,6	30,5	30,5
Non-durable goods	2 229,0	2 175,0	2 827,2	2 657,7	-0,1	47,5	47,5
Capitals goods charged to operating expenses	427,0	462,6	534,4	630,9	—	—	—
TOTAL	3 997,1	4 565,9	5 675,2	6 487,6	14,2	24,3	14,3

(1) Preliminary.
(2) Estimates revised at mid-year.
‡ Confidential data.
SOURCES: Statistics Canada, *Private and Public Investment in Canada* (Cat. 61-205 and 61-206), SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

RESEARCH AND DEVELOPMENT EXPENDITURES
QUÉBEC AND CANADA
1983-1990

	1983	1984	1985	1986	1987	1988	1989 (1)	1990 (1)
	(millions of dollars)							
QUÉBEC								
Main sectors								
Transportation equipment	179	197	217	224	307	317	330	340
Electrical and electronic products	110	145	183	198	226	228	235	245
Chemical products	64	64	67	70	78	96	110	130
Manufacturing R & D	470	578	657	657	797	834	880	940
Industrial R & D	582	720	859	940	1 105	1 158	1 230	1 305
CANADA								
Manufacturing R & D	2 201	2 256	2 601	2 748	2 967	3 228	3 406	3 630
Industrial R & D	2 585	2 994	3 610	3 949	4 216	4 492	4 775	5 083
QUÉBEC/CANADA RATIOS								
Manufacturing R & D	21,4	25,6	25,3	23,9	26,9	25,8	25,8	25,9
Industrial R & D	22,5	24,0	23,8	23,8	26,2	25,8	25,8	25,7

(1): Estimates (data respecting Québec).
SOURCES: Statistics Canada, *Industrial Research and Development Statistics 1988* (Cat. 88-202).
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE ANNUAL RATES OF CHANGE IN LABOUR PRODUCTIVITY
MAIN INDUSTRIALIZED COUNTRIES
MANUFACTURING

COUNTRY	1960-1973	1973-1979	1979-1989 (1)
Canada	4,5	2,1	1,8
United States	3,3	1,6	3,2
Japan	10,3	5,5	5,5
EEC			
Belgium	6,9	6,0	5,1
France	6,4	4,6	3,4
West Germany	5,7	4,2	2,0
Italy	6,4	5,7	4,0
Netherlands	7,3	5,4	3,7
United Kingdom	4,2	1,2	4,8
Denmark	6,4	4,2	1,4
OTHER COUNTRIES			
Norway	4,7	2,1	3,0
Sweden	6,4	2,6	2,2

(1) For Belgium , data for 1989 are not available.

SOURCES: Bureau of Labor Statistics, U.S. Department of Labor, *International Comparisons of Manufacturing Productivity and Labor Costs Trends 1989*, July 1990.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE ANNUAL RATES OF CHANGE IN UNIT LABOUR COSTS
MAIN INDUSTRIALIZED COUNTRIES
MANUFACTURING

	1979-1989		1979-1987		1988		1989	
COUNTRY	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Canada	5,4	5,3	5,6	4,0	3,2	11,2	6,2	10,4
United States	2,3	2,3	2,5	2,5	1,2	1,2	2,2	2,2
Japan	-0,8	3,8	-0,9	4,4	-2,4	10,1	0,9	-6,3
EEC								
Belgium	0,8	-1,7	1,3	-1,7	-3,0	-1,5	n/a	n/a
France	5,9	1,7	7,6	3,0	-0,8	0,1	-0,1	-6,6
West Germany	2,9	2,6	3,7	3,9	-0,4	1,9	0,0	-6,6
Italy	8,2	2,9	9,1	3,1	2,4	2,0	7,7	2,2
Netherlands	0,3	-0,2	1,0	0,9	-1,9	0,5	-2,8	-9,4
United Kingdom	4,6	1,9	5,1	1,7	0,8	9,5	4,8	-3,6
Denmark	5,5	2,0	6,5	3,1	0,4	2,0	2,1	-6,0
OTHER COUNTRIES								
Norway	6,2	2,9	7,6	3,8	3,2	6,6	-2,0	-7,5
Sweden	6,7	2,4	6,4	1,3	5,9	9,5	9,1	3,7

n/a: Non available.
(1) Expressed in the domestic currency.
(2) Expressed in U.S. dollars.
SOURCES: Bureau of Labor Statistics, U.S. Department of Labor, *International Comparisons of Manufacturing Productivity and Labor Costs Trends, 1989*, July 1990.
Direction de l'analyse de la conjoncture industrielle, MICT.

CHANGES IN LABOUR PRODUCTIVITY, PRODUCTION WAGES AND UNIT LABOUR COSTS
QUÉBEC
1981-1989

INDUSTRY	LABOUR PRODUCTIVITY		AVERAGE HOURLY WAGE		UNIT LABOUR COSTS	
	Index (1981=100)	Average growth rate	Index (1981=100)	Average growth rate	Index (1981=100)	Average growth rate
	1989	1981-1989	1989	1981-1989	1989	1981-1989
		%		%		%
Food	96,8	-0,4	141,2	4,4	145,9	4,8
Beverages	89,0	-1,4	146,4	4,9	164,5	6,4
Tobacco products	‡	‡	‡	‡	‡	‡
Rubber products	‡	‡	‡	‡	‡	‡
Plastic products	122,5	2,6	171,5	7,0	140,0	4,3
Leather	108,5	1,0	139,0	4,2	128,2	3,2
Primary textiles	118,0	2,1	165,4	6,5	140,2	4,3
Textile products	122,7	2,6	160,5	6,1	130,8	3,4
Clothing	123,6	2,7	149,9	5,2	121,3	2,4
Wood	137,8	4,1	160,0	6,1	116,1	1,9
Furniture	110,2	1,2	154,5	5,6	140,1	4,3
Paper	124,1	2,7	163,7	6,4	132,0	3,5
Printing and publishing	87,6	-1,6	150,9	5,3	172,2	7,0
Primary metals	145,3	4,8	162,9	6,3	112,1	1,4
Fabricated metal products	103,9	0,5	142,8	4,6	137,4	4,1
Machinery	71,7	-4,1	122,1	2,5	170,2	6,9
Transportation equipment	148,1	5,0	130,8	3,4	88,3	-1,5
Electrical and electronic products	135,7	3,9	179,3	7,6	132,2	3,6
Non-metallic mineral products	103,4	0,4	144,3	4,7	139,6	4,3
Petroleum products	67,6	-4,8	99,2	-0,1	146,7	4,9
Chemical products	125,6	2,9	149,6	5,2	119,1	2,2
Miscellaneous manufacturing	‡	‡	‡	‡	‡	‡
TOTAL	**108,3**	**1,0**	**152,2**	**5,4**	**140,6**	**4,4**

‡ Confidential data.
SOURCES: Bureau de la statistique du Québec, *Statistiques principales des manufacturiers québécois, estimations 1989*
Direction de l'analyse de la conjoncture industrielle, MICT.

BUSINESS BANKRUPTCIES IN THE MANUFACTURING SECTOR QUÉBEC, ONTARIO, CANADA 1987-1990

	1987	1988	1989	1990 (10 months)	1988/1987	1989/1988	1990/1989 (10 months)
					(percentage changes)		
NUMBER							
Québec	219	262	317	351	19,6	21,0	36,6
Ontario	166	166	167	229	0,0	0,6	73,5
Canada	622	656	691	778	5,5	5,3	38,4
Qué./Can. %	35,2	39,9	45,9	45,1			
Ont./Can. %	26,7	25,3	24,2	29,4			
LIABILITIES ($ 000)							
Québec	52 381	99 552	213 581	151 717	90,1	114,5	-11,4
Ontario	68 863	63 494	86 677	192 835	-7,8	36,5	366,1
Canada	185 663	241 983	378 084	402 273	30,3	56,2	44,1
Qué./Can. %	28,2	41,1	56,5	37,7			
Ont./Can. %	37,1	26,2	22,9	47,9			

SOURCES: Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, *Insolvency Bulletin*.
Direction de l'analyse de la conjoncture industrielle, MICT.

CONSUMER PRICE INDEX
ANNUAL CHANGES
1987-1990

	PROVINCE OF QUÉBEC				MONTRÉAL				QUÉBEC CITY			
	1987	1988	1989	1990 (10 months)	1987	1988	1989	1990 (10 months)	1987	1988	1989	1990 (10 months)
ALL-ITEMS	4,4	3,7	4,2	4,1	4,5	3,8	4,4	4,1	3,9	3,5	4,0	4,0
ALL-ITEMS excluding food	4,1	4,0	4,4	4,3	4,3	4,2	4,5	4,3	3,7	3,7	4,1	4,4
ALL-ITEMS excluding food and energy	4,3	4,2	4,7	3,9	4,4	4,4	4,8	3,9	3,8	3,9	4,2	3,9
Food	5,0	2,7	4,0	3,0	5,2	2,9	4,2	3,1	4,4	3,1	3,3	2,3
Energy	3,3	1,9	2,7	8,5	3,6	2,1	2,6	8,6	2,5	1,2	3,8	9,0
Housing	4,1	4,7	4,5	4,0	4,4	5,0	4,7	3,8	3,0	3,9	4,3	4,9
Clothing	4,4	4,5	3,3	2,8	4,5	4,4	3,4	2,8	4,4	4,7	3,1	2,8
Transportation	3,1	1,6	3,5	3,4	3,2	1,6	3,7	3,4	3,2	1,3	2,9	3,0
Health and personal care	5,2	4,0	4,5	4,3	5,4	4,0	4,3	4,2	5,3	4,3	4,5	4,3
Recreation, reading and education	5,3	4,5	4,1	3,9	5,3	4,5	4,1	4,2	4,8	4,2	3,6	3,1
Tobacco products and alcoholic beverages	5,0	4,7	7,9	11,0	4,8	4,7	7,8	10,9	5,5	4,8	7,3	10,9
GOODS												
Durable goods	3,3	3,6	4,3	0,4	3,3	3,5	4,5	0,4	3,2	3,7	4,1	0,5
Semi-durable goods	4,4	4,7	4,0	2,9	4,5	4,7	4,0	3,0	4,3	4,7	3,5	2,6
Non-durable goods	4,3	2,7	4,4	5,5	4,4	2,9	4,4	5,5	4,1	3,0	4,0	5,1
SERVICES	4,6	4,4	4,8	4,6	4,9	4,6	4,9	4,4	3,8	3,7	4,2	5,0

SOURCES: Statistics Canada, *Consumer Prices and Price Indexes* (Cat. 62-010) and CANSIM
Direction de l'analyse de la conjoncture industrielle, MICT

SOURCES OF FINANCING CONSUMER SPENDING QUÉBEC 1987-1990

	1987	1988	1989	1990 2nd Q.	1988/1987	1989/1988	1990 2nd Q./1st Q.
	(millions of dollars)				(percentage changes)		
PERSONAL DISPOSABLE INCOME	86 337	92 754	101 888	106 743 (1)	7,4	9,8	0,5
CONSUMER CREDIT	14 533	16 360	17 614	17 847 (2)	12,6	7,7	5,6 (3)
PERSONAL SAVINGS	6 548	6 852	9 060	10 826 (1)	4,6	32,2	8,5

(1) Seasonally adjusted annualized quarterly data.
(2) Quarterly data.
(3) Half year rate 1990/1989.
SOURCES: Bureau de la statistique du Québec, *Comptes économiques du Québec.*
Direction de l'analyse de la conjoncture industrielle, MICT.

PERSONAL CONSUMER SPENDING QUÉBEC 1987-1990

	1987	1988	1989	1990 2nd Q. (1)	1988/1987	1989/1988	1990 2nd Q./1st Q.
	(millions of dollars)				(percentage changes)		
GOODS	43 835	46 895	49 714	50 540	7,0	6,0	-1,4
Durable goods	12 528	13 634	14 360	14 151	8,8	5,3	-4,0
Semi-durable goods	8 310	8 889	9 446	9 653	7,0	6,3	-1,8
Non-durable goods	22 997	24 372	25 908	26 736	6,0	6,3	0,3
SERVICES	34 653	37 537	41 298	43 804	8,3	10,0	0,8
TOTAL GOODS AND SERVICES	**78 488**	**84 432**	**91 012**	**94 344**	**7,6**	**7,8**	**-0,4**

(1) Seasonally adjusted annualized quarterly data.
SOURCES: Bureau de la statistique du Québec, *Comptes économiques du Québec.*
Direction de l'analyse de la conjoncture industrielle, MICT.

LEADING INDICATORS
CONSUMER SPENDING
QUÉBEC
1987-1990

	Unit	1987	1988	1989	1990	1988/1987	1989/1988	1990/1989
						(percentage changes)		
Savings rate	%	7,6	7,4	8,9	9,7 (1)	—	—	—
Total household debt ratio (6)	%	53,5	57,9	57,8	58,4 (1)	—	—	—
Housing starts	Number	66 757	50 581	41 859	31 626 (2)	-24,2	-17,2	4,4
Personal bankruptcies	Number	7 730	9 779	11 154	11 159 (3)	26,5	14,1	21,2
Liabilities	$ 000	148 867	227 772	292 702	n/a	53,0	28,5	—
Index of consumer purchasing intentions (4)	1961=100							
I		150,99	137,48	104,56	99,15	8,0	-20,1	-4,0
II		150,76	148,92	94,63	76,30	8,3	-9,5	-23,0
III		148,13	113,90	109,81	71,49	-23,5	16,0	-6,3
IV		127,30	130,89	103,27	n/a	14,9	-6,0	—
Official discount rate	%							
I		7,14	8,78	12,40	13,38	—	—	—
II		8,59	9,44	12,31	13,90	—	—	—
III		9,57	10,54	12,47	12,49 (5)	—	—	—
IV		8,66	11,17	12,47	n/a	—	—	—

n/a: Non available.
(1) Seasonally adjusted data, 2nd quarter.
(2) 9 months, communities 10 000 and over.
(3) 10 months.
(4) Changes compared to same quarter preceeding year.
(5) Rate for the 2nd week of November.
(6) Total household debt = consumer loans + residential mortage loans.

SOURCES: Bureau de la statistique du Québec, *Comptes économiques du Québec; Statistiques financières et générales.*
Statistics Canada, CANSIM.
Conference Board of Canada.
Bank of Canada Review.
Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, *Insolvency Bulletin.*
Direction de l'analyse de la conjoncture industrielle, MICT.

WHOLESALE BY TRADE
QUÉBEC, ONTARIO, CANADA
1987-1990

	1987/1986	1988/1987	1989/1988	1990/1989 (8 months)
	(percentage changes)			
TOTAL SALES				
QUÉBEC	10,5	10,7	-1,9	-2,4
ONTARIO	16,3	3,8	-2,5	-4,5
CANADA	12,2	8,5	-0,8	-2,5
SALES, BY MAJOR TRADE SECTORS:				
Food, beverages, drugs and tobacco	8,4	-0,6	2,7	2,8
Clothing, haberdashery	6,9	6,0	-6,3	-11,3
Household supplies-requisites	6,8	18,3	-8,9	1,0
Motor vehicles, parts and accessories	9,3	8,0	4,9	-3,6
Metal, hardware, heating and plumbing equipment	18,9	14,4	-1,2	-13,8
Lumber and construction materials	18,9	6,4	-3,1	-5,6
Farm machinery, equipment and supplies	-1,9	2,5	-14,0	-6,2
Other equipment, material and supplies (1)	15,6	20,2	2,5	-4,9
Other wholesalers (2)	13,4	5,1	-6,7	4,4

(1) Including construction, forest and mining machinery, equipment and supplies, electric and electronic equipment, computers, n.e.s.
(2) Including farm products (excluding grain), paper and paper products, waste and refuse materials, animal feed, general merchandise, forest products, other n.e.s. products.

SOURCES: Statistics Canada, *Wholesale Trade* (Cat. 63-008).
Direction de l'analyse de la conjoncture industrielle, MICT.

RETAIL SALES
QUÉBEC, ONTARIO, CANADA
1989-1990

		1989					1990		
		I	II	III	IV	YEAR	I	II	HALF-YEAR
		(millions of dollars)							
QUÉBEC		10 039	13 151	12 067	12 701	47 958	10 540	12 801	23 341
	percentage change (1)								0,7
ONTARIO		15 496	19 247	18 278	20 104	73 125	16 100	18 721	34 821
	percentage change (1)								0,2
CANADA		40 494	50 901	48 626	52 699	192 720	43 109	50 602	93 711
	percentage change (1)								2,5

(1) Change compared to same period preceeding year.
SOURCES: Statistics Canada, *Retail Trade* (Cat. 63-005).
Direction de l'analyse de la conjoncture industrielle, MICT.

RETAIL SALES
QUÉBEC
1989-1990

TYPE OF BUSINESS	1989					1990		1990/1989		
	I	II	III	IV	YEAR	I	II	I	II	HALF-YEAR
	(millions of dollars)							(percentage changes)		
DURABLE GOODS	**3 856**	**5 618**	**4 607**	**4 400**	**18 481**	**3 979**	**157**	**3,2**	**-8,2**	**-3,6**
Household furniture and appliances	559	708	744	763	2 774	575	646	3,0	-8,7	-3,5
Furniture and accessories	122	173	157	152	605	113	159	-7,7	-8,4	-8,1
Motor and recreational vehicles	2 375	3 641	2 713	2 332	11 061	2 445	3 259	3,0	-10,5	-5,2
Car parts and accessories	536	795	682	759	2 771	602	803	12,4	1,0	5,6
Other durables goods stores	264	301	311	393	1 270	243	290	-8,0	-3,8	-5,7
SEMI-DURABLE GOODS	**1 703**	**2 424**	**2 316**	**2 919**	**9 361**	**1 812**	**2 414**	**6,4**	**-0,4**	**2,4**
Shoestores	107	183	178	215	683	122	185	14,6	0,8	5,9
Menswear	76	127	101	149	453	80	119	5,4	-6,0	-1,7
Ladieswear	220	315	311	346	1 191	250	341	14,0	8,1	10,5
Other clothing stores	299	442	416	516	1 672	318	424	6,6	-4,1	0,2
General stores	675	914	878	1 184	3 652	696	897	3,1	-1,9	0,2
Other semi-durable goods stores	327	443	432	509	1 711	346	449	5,7	1,3	3,2
NON-DURABLE GOODS	**4 016**	**4 486**	**4 544**	**4 636**	**17 681**	**4 248**	**4 571**	**5,8**	**1,9**	**3,7**
Supermarkets and grocery stores	2 543	2 809	2 816	2 816	10 984	2 611	2 771	2,7	-1,4	0,6
All other food stores	297	342	352	358	1 349	307	372	3,4	8,9	6,3
Drugsotres and patented medicines	406	413	436	491	1 745	447	463	10,2	12,2	11,2
Gas stations	770	923	939	971	3 602	883	965	14,7	4,6	9,2
OTHER RETAIL BUSINESSES	464	622	601	747	2 434	500	660	7,8	6,1	6,8
TOTAL RETAIL SALES	**10 039**	**13 150**	**12 067**	**12 701**	**47 957**	**10 539**	**12 801**	**5,0**	**-2,7**	**0,7**

Note: Totals may differ from sum of elements.
SOURCES: Statistics Canada, *Retail Trade* (Cat. 63-005).
Direction de l'analyse de la conjoncture industrielle, MICT.

EMPLOYMENT IN THE TRADE SECTOR
QUÉBEC
1987-1990

	1987	1988	1989	1990 (10 months)	1988/1987	1989/1988	1990/1989 (10 months)
	(thousands)				(percentage changes)		
WHOLESALE TRADE							
EMPLOYMENT							
Total	127,9	127,8	146,3	152,8	-0,1	14,5	5,6
Men	98,0	94,0	106,3	115,3	-4,1	13,1	8,5
Women	30,0	34,0	40,3	37,3	13,3	18,5	-3,6
FULL-TIME EMPLOYMENT							
Total	120,0	120,0	137,0	145,4	0,0	14,2	7,6
Men	94,0	90,0	102,5	112,7	-4,3	13,9	10,4
Women	26,0	30,0	34,5	32,7	15,4	15,0	-0,9
PART-TIME EMPLOYMENT							
Total	8,0	8,0	9,4	7,5	0,0	17,5	-22,7
Men	4,0	4,0	3,8	3,0	0,0	-5,0	-26,8
Women	4,0	4,0	5,7	4,5	0,0	42,5	-19,6
RETAIL TRADE							
EMPLOYMENT							
Total	385,3	384,9	392,3	392,7	-0,1	1,9	-0,1
Men	205,0	207,0	214,1	208,6	1,0	3,4	-3,4
Women	179,0	178,0	178,2	183,9	-0,6	0,1	3,8
FULL-TIME EMPLOYMENT							
Total	296,0	290,0	295,3	298,7	-2,0	1,8	0,7
Men	178,0	173,0	178,7	177,7	-2,8	3,3	-1,7
Women	117,0	117,0	116,7	121,0	0,0	-0,3	4,6
PART-TIME EMPLOYMENT							
Total	90,0	95,0	97,1	94,0	5,6	2,2	-2,9
Men	27,0	34,0	35,5	31,0	25,9	4,4	-11,9
Women	62,0	61,0	61,6	63,0	-1,6	1,0	2,3
TRADE SECTOR AS A WHOLE							
EMPLOYMENT							
Total	513,2	512,7	538,6	545,4	-0,1	5,1	1,4
Men	303,3	301,1	320,2	324,2	-0,7	6,3	0,7
Women	209,9	211,6	218,4	221,3	0,8	3,2	2,4
FULL-TIME EMPLOYMENT							
Total	415,4	409,9	432,2	443,9	-1,3	5,4	2,9
Men	272,1	263,2	281,1	290,3	-3,3	6,8	2,7
Women	143,3	146,8	151,1	153,9	2,4	2,9	3,5
PART-TIME EMPLOYMENT							
Total	97,9	102,8	106,4	101,3	5,0	3,5	-5,0
Men	31,2	37,9	39,1	33,7	21,5	3,2	-13,8
Women	66,7	64,9	67,3	67,6	-2,7	3,7	0,4

SOURCES: Statistics Canada, *The Labour Force* (Cat. 71-001) and special compilations.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE EARNINGS IN THE TRADE SECTOR
QUÉBEC
1987-1990

	1987	1988	1989	1990 (8 months)	1988/1987	1989/1988	1990/1989 (8 months)
	(dollars)				(percentage changes)		
AVERAGE WEEKLY EARNINGS (1)							
WHOLESALE TRADE	434,54	449,50	467,76	487,15	3,4	4,1	5,0
RETAIL TRADE	270,36	279,95	288,48	304,37	3,5	3,0	6,6
AVERAGE HOURLY EARNINGS (2)							
WHOLESALE TRADE	9,26	9,66	9,78	10,75	4,3	1,2	11,7
RETAIL TRADE	7,85	8,17	8,39	8,83	4,1	2,7	5,9

(1) For all employees, including overtime.
(2) For employees paid by the hour, including overtime.
SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Cat. 72-002), SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

PERSON-DAYS LOST IN WORK STOPPAGES AND NUMBER OF WORKERS INVOLVED
TRADE SECTOR
QUÉBEC
1987-1990

	1987	1988	1989	1990 (9 months)	1988/1987	1989/1988	1990/1989 (9 months)
	(number)				(percentage changes)		
WHOLESALE TRADE							
Person-days lost	38 508	36 538	38 577	14 890	-5,1	5,6	-59,0
Workers involved	671	1 027	805	512	53,1	-21,6	17,4
Average duration	57,4	35,6	47,9	29,1			
RETAIL TRADE							
Person-days lost	205 160	77 211	124 460	61 399	-62,4	61,2	-38,3
Workers involved	5 174	1 642	2 394	991	-68,3	45,8	-38,1
Average duration	39,7	47,0	52,0	62,0			
TRADE SECTOR AS A WHOLE							
Person-days lost	243 668	113 749	163 037	76 289	-53,3	43,3	-43,8
Workers involved	5 845	2 669	3 199	1 503	-54,3	19,9	-26,2
Average duration	41,7	42,6	51,0	50,8			

SOURCES: Ministère du Travail, *Grèves et lock-out au Québec*.
Direction de l'analyse de la conjoncture industrielle, MICT.

LABOUR DISPUTES
TRADE SECTOR
QUÉBEC
1987-1990

	% OF ESTIMATED WORKING DAYS				PERSON-DAYS LOST
	1987	1988	1989	1990 (8 months)	1990 (8 months)
Wholesale trade	0,1	0,1	0,1	0,1	13 921
Retail trade	0,2	0,1	0,2	0,1	54 334
Trade sector as a whole	0,2	0,1	0,1	0,1	68 255

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Cat.72-002).
Ministère du Travail, special compilations, SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

CAPITAL EXPENDITURES
TRADE AND COMMERCIAL SERVICES
QUÉBEC
1987-1990

INDUSTRY	1987	1988	1989 (1)	1990 (2)	1988/1987	1989/1988	1990/1989
	(millions of dollars)				(percentage changes)		
TRADE - TOTAL	**550,0**	**572,2**	**594,9**	**644,2**	**4,0**	**4,0**	**8,3**
Wholesale stores	223,7	213,9	253,7	235,9	-4,4	18,6	-7,0
Department stores	24,7	20,5	32,4	35,3	-17,0	58,0	9,0
Service station chains	70,0	97,8	91,7	134,7	39,7	-6,2	46,9
Motor vehicles dealers	41,8	43,1	30,1	30,3	3,1	-30,2	0,7
Combination food stores	28,9	29,3	21,2	28,1	1,4	-27,6	32,5
Other chain stores	77,8	65,8	69,5	92,2	-15,4	5,6	32,7
Other independent stores	47,7	65,5	61,1	47,1	37,3	-6,7	-22,9
Capital items charged to operating expenses	35,4	36,3	35,2	40,6	2,5	-3,0	15,3
COMMERCIAL SERVICES - TOTAL	**2 260,2**	**2 513,7**	**2 439,4**	**2 424,3**	**11,2**	**-3,0**	**-0,6**
Laundries and dry cleaners	3,3	2,7	2,9	2,8	-18,2	7,4	-3,4
Motion picture theatres	7,3	9,3	6,0	22,7	27,4	-35,5	278,3
Hotels	114,8	209,4	204,3	195,4	82,4	-2,4	-4,4
Other commercial services	2 134,8	2 292,3	2 226,2	2 203,4	7,4	-2,9	-1,0
TOTAL - TRADE AND COMMERCIAL SERVICES	**2 810,2**	**3 085,9**	**3 034,3**	**3 068,5**	**9,8**	**-1,7**	**1,1**

(1) Preliminary.
(2) Estimates revised at mid-year.
SOURCES: Statistics Canada, *Private and Public Investment in Canada* (Cat. 61-205 and 61-209).
Direction de l'analyse de la conjoncture industrielle, MICT.

BUSINESS BANKRUPTCIES IN THE TRADE SECTOR
QUÉBEC, ONTARIO, CANADA
1987-1990

	1987	1988	1989	1990 (10 months)	1988/1987	1989/1988	1990/1989 (10 months)
NUMBER					(percentage changes)		
Québec	1 024	1 217	1 287	1 373	18,8	5,8	32,0
Ontario	526	502	519	741	-4,6	3,4	66,1
Canada	2 319	2 473	2 652	2 920	6,6	7,2	33,9
Qué./Can. %	44,2	49,2	48,5	47,0			
Ont./Can. %	22,7	20,3	19,6	25,4			
LIABILITIES ($ 000)							
Québec	150 238	236 640	242 165	359 876	57,5	2,3	83,9
Ontario	94 740	78 530	101 924	212 792	-17,1	29,8	142,5
Canada	414 743	464 341	472 993	797 401	12,0	1,9	103,4
Qué./Can. %	36,2	51,0	51,2	45,1			
Ont./Can. %	22,8	16,9	21,5	26,7			

SOURCES: Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, *Insolvency Bulletin*.
Direction de l'analyse de la conjoncture industrielle, MICT.

ECONOMIC INDICATORS BY ADMINISTRATIVE REGION 1989-1990

REGION	EMPLOYMENT TOTAL		MANUFACTURING EMPLOYMENT		UNEMPLOYED		CAPITAL SPENDING	
	1989	1990 (10 months)	1989	1990 (9 months)	1989	1990 (10 months)	1989	1990 F
	(thousands)		(thousands)		(millions of dollars)		(millions of dollars)	
Bas-Saint-Laurent	74,8	79,4	10,2	9,9	11,3	11,6	564,5	667,1
Saguenay — Lac-Saint-Jean	113,2	119,4	22,0	22,0	14,5	16,7	1 304,0	1 284,0
Québec and Chaudière-Appalaches	428,8	441,5	58,7	60,0	32,8	38,1	3 585,1	4 168,0
Mauricie — Bois-Francs	198,8	199,2	52,5	48,3	22,8	23,1	1 954,9	2 454,9
Estrie	121,1	121,4	28,1	26,2	11,9	11,7	874,2	977,1
Montréal and Laval	979,7	975,8	231,4	195,8	108,6	115,1	8 855,9	9 581,2
Outaouais	129,5	134,0	12,2	10,5	11,4	12,4	1 281,8	1 451,5
Abitibi-Témiscamingue	63,1	58,3	6,7	7,1	7,5	8,8	1 153,3	853,5
Côte-Nord and Nord-du-Québec	47,7	49,8	8,0	9,6	6,0	6,1	1 565,2	1 875,9
Gaspésie — Îles-de-la-Madeleine	35,8	32,8	4,2	(1)	8,4	8,4	291,6	372,4
Lanaudière	133,9	135,9	29,1	27,3	12,4	12,4	1 286,7	1 266,1
Laurentides	153,7	154,2	30,5	27,1	15,0	17,6	1 998,9	1 950,2
Montérégie	551,5	571,4	132,2	141,9	48,9	54,8	4 839,7	5 196,8
ALL ADMINISTRATIVE REGIONS	**3 031,3**	**3 073,0**	**625,7**	**589,1**	**311,3**	**337,1**	**29 555,6**	**32 098,6**

F: Forecast.
(1) Less than 4 000.
SOURCES: Statistics Canada, *The Labour Force* (Cat. 71-001).
Bureau de la statistique du Québec, *Investissements privés et publics au Québec.*
Direction de l'analyse de la conjoncture industrielle, MICT.

COMPARISON OF ECONOMIC PERFORMANCE BY ADMINISTRATIVE REGION
1989-1990
(percentage changes)

REGION	EMPLOYMENT TOTAL		MANUFACTURING EMPLOYMENT		UNEMPLOYMENT RATE		CAPITAL SPENDING	
	1989/1988	1990/1989 (10 months)	1989/1988	1990/1989 (9 months)	1989	1990 (10 months)	1989/1988	1990/1989
Bas-Saint-Laurent	-6,4	5,6	2,0	-4,8	13,1	12,7	32,5	18,2
Saguenay — Lac-Saint-Jean	-0,7	4,8	-8,3	1,9	11,4	12,3	26,2	-1,5
Québec and Chaudière-Appalaches	2,1	3,1	-8,3	1,2	7,1	7,9	15,7	16,3
Mauricie — Bois-Francs	0,0	-0,2	1,7	-7,6	10,3	10,4	28,4	25,6
Estrie	2,9	0,6	17,6	-8,1	9,0	8,8	-20,2	11,8
Montréal and Laval	-0,8	-0,4	3,6	-15,5	10,0	10,6	-1,8	8,2
Outaouais	-2,2	3,5	-6,2	-15,3	8,1	8,5	10,8	13,2
Abitibi-Témiscamingue	1,4	-8,2	6,3	1,4	10,6	13,1	29,4	-26,0
Côte-Nord and Nord-du-Québec	1,1	5,1	8,1	17,1	11,2	10,9	48,9	19,9
Gaspésie — Îles-de-la-Madeleine	-3,8	-11,1	(1)	(1)	19,0	20,4	24,1	27,7
Lanaudière	4,5	1,1	13,7	-4,9	8,5	8,4	8,1	-1,6
Laurentides	6,0	-0,1	8,2	-13,7	8,9	10,2	7,4	-2,4
Montérégie	3,9	3,6	1,4	6,5	8,1	8,8	-0,7	7,4
ALL ADMINISTRATIVE REGIONS	**1,0**	**1,3**	**2,3**	**-6,3**	**9,3**	**9,9**	**7,7**	**8,6**

(1) Percentage changes not available, less than 4 000 jobs.

SOURCES: Statistics Canada, *The Labour Force* (Cat. 71-001).
Bureau de la statistique du Québec, *Investissements privés et publics au Québec.*
Direction de l'analyse de la conjoncture industrielle, MICT.